

TEJON RANCH CO  
Form DEF 14A  
March 29, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**Tejon Ranch Co.**

(Name of Registrant as Specified in Its Charter)

Name of Person(s) Filing Proxy Statement if other than the Registrant

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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- (4) Date Filed:



**Post Office Box 1000**

**Lebec, California 93243**

March 29, 2012

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Tejon Ranch Co. on Tuesday, May 8, 2012, at 9:30 A.M., at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California. Your Board of Directors and management look forward to greeting those stockholders who are able to attend.

The Notice of Annual Meeting and Proxy Statement, which contain information concerning the business to be transacted at the meeting, appear in the following pages.

It is important that your shares be represented and voted at the meeting, whether or not you plan to attend. Please vote the enclosed proxy at your earliest convenience.

Your interest and participation in the affairs of the Company are greatly appreciated.

Sincerely,

Robert A. Stine

President and Chief Executive Officer

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TEJON RANCH CO.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

on

May 8, 2012

The Annual Meeting of Stockholders of Tejon Ranch Co. (the Company or Tejon or referred to as we, us, our or words of similar import in this Notice and Proxy Statement) will be held at the Hyatt Regency Irvine, 17900 Jamboree Boulevard, Irvine, California on Tuesday, May 8, 2012, at 9:30 A.M., California time, for the following purposes:

1. To elect the two directors named in this Proxy Statement.
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2012.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The nominees of the Board of Directors of the Company for election at the meeting are Geoffrey L. Stack and Michael H. Winer.

**The Board of Directors of the Company recommends that you vote FOR the approval of each of the proposals outlined in the Proxy Statement accompanying this notice.**

The Board of Directors has fixed the close of business on March 13, 2012, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

Your attention is invited to the accompanying Proxy Statement. To ensure that your shares are represented at the meeting, please date, sign, and mail the enclosed proxy card, for which a return envelope is provided, or vote your proxy by phone or the Internet, the instructions for which are provided on the enclosed proxy card.

**Please note that if your shares are held by a broker, bank or other holder of record, your broker, bank or other holder of record will NOT be able to vote your shares with respect to Proposal 1 unless you provide directions to your broker. We strongly encourage you to return the voting instructions provided by your broker, bank or other holder of record or utilize your broker's telephone or Internet voting if available and exercise your right to vote as a stockholder.**

For the Board of Directors,

KENT G. SNYDER, Chairman of the Board

ALLEN E. LYDA, Chief Financial Officer, Assistant Secretary

Lebec, California

March 29, 2012

**PLEASE MARK YOUR INSTRUCTIONS ON THE ENCLOSED PROXY, SIGN AND DATE THE PROXY, AND RETURN IT IN THE ENCLOSED POSTAGE PAID ENVELOPE. ALTERNATIVELY, PLEASE VOTE YOUR PROXY BY PHONE OR THE INTERNET. PLEASE VOTE YOUR PROXY EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES IN PERSON, YOU MAY DO SO EVEN IF YOU HAVE PREVIOUSLY**

**VOTED YOUR PROXY.**

**TEJON RANCH CO.**

**Post Office Box 1000**

**Lebec, California 93243**

**PROXY STATEMENT**

**Annual Meeting of Stockholders**

**May 8, 2012**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on**

**May 8, 2012**

**The Proxy Statement and accompanying Annual Report to stockholders are available at [www.tejonranch.com](http://www.tejonranch.com) or**

**at <http://www.materials.proxyvote.com/879080>**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Company for use at the Annual Meeting of Stockholders to be held on May 8, 2012 (the 2012 Annual Meeting ).

It is anticipated that the mailing of this Proxy Statement and accompanying form of Proxy to stockholders will begin on or about March 31, 2012.

**SOLICITATION OF PROXIES**

At the meeting, the stockholders of the Company will be asked to vote on the following matters: (1) the election of the two directors named in this Proxy Statement, (2) the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2012, and (3) such other business as may properly come before the meeting. The Company's Board of Directors (the Board ) is asking for your proxy for use at the 2012 Annual Meeting. Although management does not know of any other matter to be acted upon at the meeting, shares represented by valid proxies will be voted by the persons named on the proxy in accordance with their best judgment with respect to any other matters which may properly come before the meeting.

The cost of preparing, assembling, and mailing the Notice of Meeting, this Proxy Statement, and the enclosed proxy ballot will be paid by the Company. Following the mailing of this Proxy Statement, directors, officers, and regular employees of the Company may solicit proxies by mail, telephone, e-mail, or in person; such persons will receive no additional compensation for such services. Brokerage houses and other nominees, fiduciaries and custodians nominally holding shares of record will be requested to forward proxy soliciting material to the beneficial owners of such shares and will be reimbursed by the Company for their charges and expenses in connection therewith at the rates approved by the New York Stock Exchange.

**RECORD DATE AND VOTING**

**General Information**

Holders of shares of the Company's Common Stock, par value \$0.50 (the Common Stock ) of record at the close of business on March 13, 2012 (the Record Date ) are entitled to notice of, and to vote at, the meeting. There were 19,993,470 shares of Common Stock outstanding on the Record Date. A stockholder of record giving a proxy may revoke it at any time before it is voted by filing with the Company's Secretary a written notice of revocation or by submitting a later-dated proxy via the Internet, by telephone, or by mail. Unless a proxy is

revoked and except as indicated below with respect to Proposal 1, shares represented by a proxy will be voted in accordance with the voting instructions on the proxy and, on matters for which no voting instructions are given, shares will be voted for the proposals as shown on the proxy. If you hold shares in a stock brokerage account or by a bank or other holder of record, you must follow the instructions of your broker, bank or other holder of record to change or revoke your voting instructions.

#### **Broker Non-Votes**

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered to be the beneficial owner of those shares. As the beneficial owner, you have the right to instruct your broker, bank or other holder of record how to vote your shares. If you do not provide instructions, your broker, bank or other holder of record will not have the discretion to vote with respect to certain matters and your shares will constitute broker non-votes with respect to those matters. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Specifically, your broker, bank or other holder of record will not have the discretion to vote with respect to Proposal 1 but will have discretion to vote on Proposal 2. **Therefore, we strongly encourage you to follow the voting instructions on the materials you receive.**

#### **Quorum**

A majority of the Common Stock issued and outstanding and entitled to vote must be present at the 2012 Annual Meeting, either in person or by proxy, in order for there to be a quorum at the 2012 Annual Meeting. Shares of Common Stock with respect to which the holders are present in person at the 2012 Annual Meeting but not voting, and shares of Common Stock for which we have received proxies but with respect to which the holders of the shares have abstained, will be counted as present at the 2012 Annual Meeting for the purpose of determining whether or not a quorum exists. Broker non-votes will also be counted as present for the purpose of determining whether a quorum exists. Stockholders cannot abstain in the election of directors, but they can withhold authority. Stockholders who withhold authority will be considered present for purposes of determining a quorum.

#### **Voting Requirements**

For Proposal 1 (election of directors), the two (2) candidates receiving the highest number of affirmative votes at the 2012 Annual Meeting (also referred to as a plurality) will be elected as directors. Stockholders will be able to cumulate their vote in the election of directors. Cumulative voting means that each stockholder is entitled to a number of votes equal to the number of directors to be elected multiplied by the number of shares he or she holds. These votes may be cast for one nominee or distributed among two or more nominees. Abstentions and broker non-votes will not be counted as participating in the voting, and will therefore have no effect for purposes of Proposal 1.

Proposal 2 (the ratification of Ernst & Young LLP as our independent registered public accounting firm) will require the affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the 2012 Annual Meeting. Abstentions will be counted as present and will thus have the effect of a vote against Proposal 2.

Pursuant to Delaware corporate law, the actions contemplated to be taken at the 2012 Annual Meeting do not create appraisal or dissenters rights.



**PROPOSAL 1**

**THE ELECTION OF DIRECTORS**

The Board currently consists of eight directors divided into three classes based upon when their terms expire. The terms of two directors (Class I) will expire at the 2012 Annual Meeting, the terms of three directors (Class II) will expire at the 2013 Annual Meeting, and the terms of three directors (Class III) will expire at the 2014 Annual Meeting. The regular term of each director expires at the third Annual Meeting following the Annual Meeting at which that director was elected, so that each director serves a three year term, although directors continue to serve until their successors are elected and qualified, unless the authorized number of directors has been decreased.

The nominees of the Board for election at the 2012 Annual Meeting to serve as Class I directors are Geoffrey L. Stack and Michael H. Winer, both of whom are presently directors.

Nominations of persons for election to the Board by stockholders must be made pursuant to timely notice in writing to the Secretary of the Company pursuant to the Company's Certificate of Incorporation. See *Stockholder Proposals for 2013 Annual Meeting* for additional information on the procedure for stockholder nominations.

Except as noted below, each proxy solicited by and on behalf of the Board will be voted **FOR** the election of the nominees named above (unless such authority is withheld as provided in the proxy) and one-half of the votes to which the stockholder is entitled will be cast for each of the nominees. Both of the nominees of the Board have consented to being named in this proxy statement and to serve if elected. In the event any one or more of the nominees shall become unable to serve or refuse to serve as director (an event which is not anticipated), the proxy holders will vote for substitute nominees in their discretion. If one or more persons other than those named below as nominees for the 2012 Annual Meeting are nominated as candidates for director by persons other than the Board, the enclosed proxy may be voted in favor of any one or more of said nominees of the Board or substitute nominees and in such order of preference as the proxy holders may determine in their discretion.

Brokers do not have discretion to vote on this proposal without your instruction. Therefore, if you do not instruct your broker how to vote on this proposal, your broker will deliver a non-vote on this proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE NOMINEES NAMED ABOVE FOR ELECTION AS A DIRECTOR.**

**PROPOSAL 2**

**THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012. Services provided to the Company and its subsidiaries by Ernst & Young LLP in fiscal years 2011 and 2010 are described under *Audit Fees* below. Additional information regarding the Audit Committee is provided in the Report of the Audit Committee, below.

Representatives of Ernst & Young LLP are expected to be present at the 2012 Annual Meeting and will have an opportunity to make a statement if they wish and will be available to respond to appropriate questions from stockholders.

**Stockholder Ratification of the Appointment of Independent Registered Public Accountant.**

We are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm. Although ratification is not required by our certificate of incorporation, bylaws or otherwise, the Board is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. In the event stockholders do not ratify the appointment of Ernst & Young LLP, the appointment will be reconsidered by the Audit Committee and the Board. Even if the selection is ratified, the Audit Committee may, in its discretion, select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

**Independent Registered Public Accounting Firm**

Ernst & Young LLP was selected by the Audit Committee to serve as the Company's independent registered public accounting firm for the fiscal year 2012, and served in that capacity for the year ended December 31, 2011.

*Audit Fees.* The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company's annual financial statements for the year ended December 31, 2011 and for the reviews of the financial statements included in the Company's Forms 10-Q for the year ended December 31, 2011 were \$400,666. The aggregate fees billed by Ernst & Young LLP for professional services rendered for the audit of the Company's annual financial statements for the year ended December 31, 2010 and for the reviews of the financial statements included in the Company's Forms 10-Q for the year ended December 31, 2010 were \$388,260.

*Audit-Related Fees.* The aggregate audit-related fees billed by Ernst & Young LLP that were reasonably related to the performance of the audit or review of the Company's financial statements, including fees for the performance of audits and attest services not required by statute or regulations; audits of the Company's employee benefit plans; due diligence activities related to investments; and accounting consultations about the application of generally accepted accounting principles to proposed transactions (collectively, the Audit-Related Fees) for the year ended December 31, 2011 were \$36,291. The Audit-Related Fees billed by Ernst & Young LLP for the year ended December 31, 2010 were \$34,580.

*Tax Fees.* The aggregate fees billed by Ernst & Young LLP for tax compliance, advice and planning services for the year ended December 31, 2011 were \$141,601. The aggregate fees billed by Ernst & Young LLP for tax compliance, advice and planning services for the year ended December 31, 2010 were \$99,146. In each case, the services consisted of tax return preparation.

*All Other Fees.* Ernst & Young LLP did not bill for any services other than those listed above for the years ended December 31, 2011 or December 31, 2010.

The Audit Committee Charter requires that the Audit Committee pre-approve all services performed by the Company's outside auditor. To fulfill this requirement, the Company's outside auditor, Ernst & Young LLP, provides a proposal to the Audit Committee for all services it proposes to provide, and the Audit Committee then takes such action on the proposal as it deems advisable. During the years ending December 31, 2011 and 2010, 100% of the services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2012.**

## THE BOARD OF DIRECTORS

### Consideration of Director Nominees

The Board believes the Board, as a whole, should possess the requisite combination of skills, professional experience, and diversity of backgrounds to oversee the Company's business. The Board also believes that there are certain attributes each individual director should possess, as reflected in the Board's membership criteria. Accordingly, the Board and the Nominating and Corporate Governance Committee (the Nominating Committee) consider the qualifications of directors and director candidates individually as well as in the broader context of the Board's overall composition and the Company's current and future needs.

The Nominating Committee is responsible for selecting nominees for election to the Board. In considering candidates for the Board, the Nominating Committee evaluates the entirety of each candidate's credentials, attributes, and other factors (as described in greater detail in the Company's Corporate Governance Guidelines), but does not have any specific minimum qualifications that must be met by a nominee. However, the Nominating Committee seeks as directors individuals with substantial management experience who possess the highest personal values, judgment and integrity, an understanding of the environment in which the Company does business and diverse experience with the key business, financial and other challenges that the Company faces. In addition, in considering the nomination of existing directors, the Nominating Committee takes into consideration (i) each director's contribution to the Board; (ii) any material change in the director's employment or responsibilities with any other organization; (iii) the director's ability to attend meetings and fully participate in the activities of the Board and the committees of the Board on which the director serves; (iv) whether the director has developed any relationships with the Company or another organization, or other circumstances that may have arisen, that might make it inappropriate for the director to continue serving on the Board; and (v) the director's age and length of service on the Board.

Because the Nominating Committee recognizes that a diversity of viewpoints and practical experiences can enhance the effectiveness of the Board, as part of its evaluation of each candidate, the Nominating Committee takes into account how each candidate's background, experience, qualifications, attributes and skills may complement, supplement or duplicate those of other prospective candidates.

Based on the parameters described above, the Board has determined that the directors standing for reelection and the remaining members of the Board have the qualifications, experience, and attributes appropriate for a director of the Company. As reflected below, each director has a varied background in the real estate industry, finance, and/or agriculture. These are all areas that are integral to the strategy, operations, and successful oversight of the Company.

### Board Composition and Leadership Structure

The Board is grouped into three classes: (1) Class I Directors, whose terms will expire at the 2012 Annual Meeting, (2) Class II Directors, whose terms will expire at the 2013 Annual Meeting, and (3) Class III Directors, whose terms will expire at the 2014 Annual Meeting. The Board currently consists of eight directors. The Board's leadership is structured so that there is a separate Chairman of the Board and Chief Executive Officer. The Chairman of the Board is also an independent director. The Board believes that this structure is appropriate because it provides an additional layer of oversight to management and management's activities and allows the Board to act independent of management.

### Director Qualifications and Biographical Information

The Nominating Committee considered the character, experience, qualifications and skills of each director, including the current director nominees, when determining whether each should serve as a director of the Company. In keeping with its stated criteria for director nominees described in the section entitled

Consideration of Director Nominees above, the Nominating Committee determined that each director, including the current director nominees, has substantial management experience, exhibits the highest personal values, judgment and integrity, and possesses an understanding of the environment in which the Company does business and diverse experience with the key business, financial, and other challenges that the Company faces. Each director is or has been a leader in their respective field and brings diverse talents and perspectives to the Board. The Nominating Committee also considered the experience and qualifications outlined below in the biographical information for each director, including each director nominee, as well as other public company board service.

The Nominating Committee noted the following particular attributes and qualities it considers when evaluating director nominees. The Nominating Committee believes that nominees with business and strategic management experience gained from service as a chief executive officer or similar position is a critical leadership component to Board service. The Nominating Committee also seeks nominees with backgrounds in finance, banking, economics, and the securities and financial markets, in order to have directors who can assess and evaluate the Company's financial and competitive position. The Nominating Committee emphasizes familiarity with the real estate and agricultural industries, and considers customer perspectives to be important when evaluating director nominees. Although each of the directors listed below possesses a number of these attributes, the Nominating Committee considered the specific areas noted below for each director when determining which of the director's qualifications best suited the needs of the Company and qualified them to serve as a director of the Company.

During the March 13, 2012 Board of Directors meeting, Ms. Grimm-Marshall resigned as a Director due to an increasing amount of time spent in managing her personal business interests. At this meeting, the Nominating and Corporate Governance Committee recommended that Daniel Tisch be elected as a Director to replace Ms. Grimm-Marshall, and the Board of Directors approved the recommendation. Mr. Tisch will become a Class II Director, and his principal occupation and current directorships are outlined below.

The following table sets forth information regarding the nominees for Class I Directors and also regarding the Class II Directors and the Class III Directors.

<b>Nominees for Class I Directors Whose Terms Expire in 2012 and Principal Occupation, Employment, or Directorships</b>	<b>First Became Director</b>	<b>Age</b>
<b>Geoffrey L. Stack</b>	1998	68
Mr. Stack has been the managing director of the Sares-Regis Group, a commercial and residential real estate development and management firm, since 1993. Mr. Stack is responsible for all residential operations of Sares-Regis, including development, acquisitions, finance, and management activities. Mr. Stack graduated from Georgetown University and received an M.B.A. in Real Estate Finance at the Wharton School, University of Pennsylvania. Our Board believes Mr. Stack's real estate development experience and his experience as the managing director of a real estate company make him well qualified to serve as a director.		
<b>Michael H. Winer</b>	2001	56
Mr. Winer has been employed by Third Avenue Management LLC (or its predecessor) since 1994. He is a senior member of the investment team and a member of the firm's Management Committee. Mr. Winer has managed the Third Avenue Real Estate Value Fund since its inception in 1998. Mr. Winer has served as a director of Newhall Holding Company LLC since 2008 and as a director of 26900 Newport Inc. since 1998. He retired as a director of Real Mortgage Systems in 2009. Mr. Winer received a B.S. degree in Accounting from San Diego State University and is formerly a certified public accountant in California. We believe that Mr. Winer's investment industry background and specifically his experience with real estate investing make him very qualified to serve as a director on our Board.		

<b>Class II Directors Whose Terms Expire in 2013 and Principal Occupation, Employment, or Directorships</b>	<b>First Became Director</b>	<b>Age</b>
<b>George G.C. Parker</b>	1999	73

Mr. Parker is a Dean Witter Distinguished Professor of Finance, Graduate School of Business, Stanford University. Mr. Parker has served in this position from 1973 to the present. Mr. Parker has served as a director of Netgear Inc. since 2006, as a director of Threshold Pharmaceuticals since 2002, as a director of iShares Mutual Fund since 1996, and as a director of Colony Financial, Inc. since 2009. Mr. Parker also formerly served as a director of Continental Airlines from 1996 until 2009. Mr. Parker received a B.A. from Haverford College, and an M.B.A. and PH.D. from Stanford University. Our Board believes Mr. Parker's finance background and perspective from serving on various other boards of directors makes him qualified to serve as a director.

<b>Robert A. Stine</b>	1996	65
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Mr. Stine has been employed as the President and Chief Executive Officer of Tejon Ranch Co. since May 1996. Mr. Stine has served as a director of Pacific Western Bancorp since 1996 and as a director of Valley Republic Bank since 2008. Mr. Stine also formerly served as a director of The Bakersfield Californian from 1999 until 2009. Mr. Stine received a B.S. from St. Lawrence University and an M.B.A. from the Wharton School of Business, University of Pennsylvania. Our Board believes Mr. Stine's extensive real estate development background and his strategic and operational insight from managing the Company make him qualified to serve as a director.

<b>Daniel Tisch</b>	2012	61
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Mr. Tisch has been the managing member of Towerview LLC, an investment fund of the Tisch Family, since 2001. Since January 2012, Mr. Tisch has also served as a director of Vornado Realty Trust. Mr. Tisch graduated from Brown University and has over 39 years of investing experience. Mr. Tisch worked for major Wall Street firms from 1973 until 1989 and since then has been managing investment partnerships. We believe that Mr. Tisch's investment industry background and his experience in capital raising and risk management make him well qualified to serve as a director on our Board.

<b>Class III Directors Whose Terms Expire in 2014 and Principal Occupation, Employment, or Directorships</b>	<b>First Became Director</b>	<b>Age</b>
<b>John L. Goolsby</b>	1999	70

Mr. Goolsby served as President and Chief Executive Officer of Howard Hughes Corporation from 1988 until his retirement in 1998. Howard Hughes Corporation was a real estate investment and development company that successfully developed several large scale real estate projects in Nevada and California, the largest being the Summerlin community in Las Vegas, Nevada. Mr. Goolsby currently serves as a director of Thomas Properties Group Inc., a position he has held since 2006. Mr. Goolsby formerly served as a director of America West Airlines from 1994 until 2005 and Sierra Pacific Corporation and its predecessor, Nevada Power Company, from 1989 until 2001. He served as a Trustee of The Donald W. Reynolds Foundation from 1994 until 2005. Mr. Goolsby received a B.B.A. from the University of Texas at Arlington and is a certified public accountant. Our Board believes Mr. Goolsby's extensive real estate experience and his experience as a chief executive officer of a major real estate land and development company make him well qualified to serve as director.

<b>Class III Directors Whose Terms Expire in 2014 and Principal Occupation, Employment, or Directorships</b>	<b>First Became Director</b>	<b>Age</b>
<b>Norman Metcalfe</b>	1998	69

Mr. Metcalfe has an extensive history and background in real estate development and homebuilding. He previously was Vice Chairman and Chief Financial Officer of The Irvine Company, one of the nation's largest real estate and community development companies. Mr. Metcalfe retired from the Irvine Company in 1998. Prior to the Irvine Company, Mr. Metcalfe spent over 20 years in various real estate, corporate finance, and investment positions with the Kaufman and Broad/SunAmerica family of companies. These positions included President and Chief Investment Officer of SunAmerica Investments and Chief Financial Officer of Kaufman and Broad Home Corporation (currently known as KB Homes). Mr. Metcalfe is currently a director of The Ryland Group, having served since 2000, and he previously served as a director of Building Materials Holding Corp from 2005 until 2009. Mr. Metcalfe received a B.S. and an M.B.A. from the University of Washington. Our Board believes Mr. Metcalfe's extensive financial experience, understanding of capital structure within the real estate industry, and experience in publicly held companies make him very qualified to serve as a director.

<b>Kent G. Snyder</b>	1998	75
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Mr. Snyder is an attorney who has been practicing law for over 45 years with a specialty in real estate transactions. Mr. Snyder currently practices in his own law firm and has been doing so for more than the last five years. Mr. Snyder has served as a director and chairman of the board of Independence Bank from 2004 to the present, served as a director of Pacific Premier Bancorp and Pacific Premier Bank from November 2000 until March 2007, and served as a director and chairman of the board of First Fidelity Investment & Loan from 1984 until 2002, when the Bank was sold. Mr. Snyder received a B.S. in Business Administration from UCLA and received his J.D. (with honors) from UCLA. Our Board believes Mr. Snyder's vast experience in real estate law and real estate transactions as well as his extensive participation in banking make him very qualified to serve as a director.

None of the corporations or organizations described above is a subsidiary or affiliate of the Company. There are no family relationships among any directors of the Company or any executive officers of the Company.

### **Corporate Governance Matters**

The Board has determined that all directors, except Mr. Stine, are independent, as that term is defined in the listing standards of the New York Stock Exchange (the NYSE). In addition to the definition of independent as set forth in the listing standards of the NYSE, the Board has adopted categorical criteria used to determine whether a director is independent (the Company's Independence Standards), and the Board has determined that all directors, except Mr. Stine, are independent under the Independence Standards. These Independence Standards are set forth in Attachment A to the Company's Corporate Governance Guidelines (the Corporate Governance Guidelines), and a copy of the Independence Standards is attached as Appendix A to this Proxy Statement.

Also, in making its independence determinations, the Board reviewed additional information provided by the directors and the Company with regard to any business or personal activities or associations as they may relate to the Company and the Company's management. The Board considered the transactions in the context of the NYSE's objective listing standards, the categorical standards noted above and, for directors serving on committees, the additional standards established for members of audit committees, and the Securities and Exchange Commission (the SEC) and U.S. Internal Revenue Service standards for compensation committee members. Based on all of the foregoing, the Board made a subjective determination as required by NYSE rules that, because of the nature of the transaction, the director's relationship with the entity and/or the amount involved, no relationships exist that, in the opinion of the Board, would impair the director's independence.

The Board's independence determinations included a review of business dealings at companies where the directors serve as directors or outside consultants, all of which were ordinary course business transactions.

The independent directors of the Board meet regularly in executive sessions outside the presence of management. As Chairman of the Board, Mr. Snyder presides over these executive sessions.

During 2011, there were four meetings of the Board. During 2011, all directors attended 75% or more of the aggregate total of such meetings of the Board and committees of the Board on which they served.

The Company's policy is that all directors are expected to attend every annual meeting of stockholders in person. All directors attended the 2011 Annual Meeting of Stockholders of the Company.

### Committees of the Board

Standing committees of the Board include the Executive, Audit, Compensation, Investment Policy, Real Estate, and Nominating and Corporate Governance Committees. The current members of the standing committees are set forth below:

	Executive Committee	Audit Committee	Compensation Committee	Real Estate Committee	Nominating and Corporate Governance Committee	Investment Policy Committee
John L. Goolsby		X	X	X	X	
Norman Metcalfe	X		X	X(Chair)		
George G.C. Parker		X(Chair)	X		X(Chair)	
Kent G. Snyder	X(Chair)			X		
Geoffrey L. Stack		X	X(Chair)	X	X	
Robert A. Stine	X			X		
Daniel Tisch*						
Michael H. Winer	X					X(Chair)

\* It is anticipated that Mr. Tisch, who was elected to the Board on March 13, 2012, will be appointed at the next Board meeting to the Nominating Committee or to the Audit Committee.

During 2011, there were no meetings of the Executive Committee, seven of the Audit Committee, four of the Compensation Committee, two of the Real Estate Committee, two of the Nominating Committee, and no meetings of the Investment Policy Committee. The major functions of each of these committees, including their role in oversight of risks that could affect the Company, are described briefly below.

#### *The Executive Committee*

Except for certain powers that, under Delaware law, may be exercised only by the full Board, or which, under the rules of the SEC or the NYSE, may only be exercised by committees composed solely of independent directors, the Executive Committee may exercise all powers and authority of the Board in the management of the business and affairs of the Company. Messrs. Metcalfe, Snyder, Stine, and Winer are members of the Executive Committee. Mr. Snyder is the Chairman of the Executive Committee.

#### *The Audit Committee*

The Audit Committee acts on behalf of the Board in fulfilling the Board's oversight responsibility relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, risk oversight of financial activities, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In

addition, the Audit Committee is directly responsible for the retention of the independent auditor and approves all audit and non-audit services the independent auditor performs. The Audit Committee reports regularly to the full Board with respect to its activities. The Audit Committee is governed by a written charter adopted and approved by the Board. Mr. Parker is the Chairman of the Audit Committee, and Messrs. Goolsby and Stack are members of the Audit Committee. The Board has determined that each member of the Audit Committee is independent under the listing standards of the NYSE and under the Company's Independence Standards, and that each member of the Audit Committee is financially literate and meets the requirements for Audit Committee Membership set forth in Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Board has further found that Mr. Parker qualifies as an audit committee financial expert for the purposes of Item 407(d)(5) of Regulation S-K, and has accounting or related financial management expertise as described in the listing standards of the NYSE. The Audit Committee's charter is available on the Company's web site, [www.tejonranch.com](http://www.tejonranch.com), in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

#### ***The Compensation Committee***

The Compensation Committee reviews and either adjusts or recommends to the Board appropriate adjustments to the Company's overall compensation structure, the compensation arrangements for executive officers, and director compensation, and evaluates the performance of executive officers. The Compensation Committee is governed by a written charter adopted and approved by the Board. The Compensation Committee's charter is available on the Company's web site, [www.tejonranch.com](http://www.tejonranch.com), in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243. Mr. Stack is the Chairman of the Compensation Committee, and Messrs. Goolsby, Metcalfe, and Parker are members of the Compensation Committee. The Board has determined that each member of the Compensation Committee is independent under the listing standards of the NYSE and under the Company's Independence Standards.

During 2011, the Compensation Committee did not engage any external consulting firms. In 2009 and 2010, the Compensation Committee engaged Mezrah Consulting as an outside compensation consultant to assist the Compensation Committee in evaluating near-term stock grant compensation. Mezrah Consulting did not provide any other services to the Company in 2011. The decision to engage the outside compensation consultant was not recommended by management. Mezrah Consulting completed its engagement for the Compensation Committee during 2010. The Compensation Committee approved the services; the outside compensation consultant's fees in 2010 were \$45,000.

#### ***The Real Estate Committee***

The Real Estate Committee reviews all significant activities and issues related to the Company's real estate assets and opportunities. It receives and considers the analyses of the Company's real estate staff and provides management with oversight, guidance, and strategic input on major decision points. It reviews and either approves or recommends to the Board appropriate action on significant proposed real estate transactions, development *pro formas* and budgets, and action plans. The Real Estate Committee also evaluates risk as it relates to real estate plans, activities, and transactions. It reports regularly to the full Board with respect to its meetings. Mr. Metcalfe is the Chairman of the Real Estate Committee, and Messrs. Goolsby, Snyder, Stack, and Stine are members of the Real Estate Committee. The Real Estate Committee's charter is available on the Company's web site, [www.tejonranch.com](http://www.tejonranch.com), in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

#### ***Investment Policy Committee***

The Investment Policy Committee reviews policies and activities related to the investment of the Company's cash assets and works in coordination with the Real Estate Committee. It receives and reviews policy



and data regarding marketable security investments and recommends to the Board whether to approve the Company's investment security policy. Currently, this committee consists of Mr. Winer. Committee memberships are reviewed each year after the annual meeting, and it is expected that members will be added to the committee after the 2012 Annual Meeting.

#### ***The Nominating and Corporate Governance Committee***

The Nominating Committee is charged with assessing existing directors to determine whether to recommend them for reelection to the Board, identifying and recruiting potential new directors, establishing a procedure for consideration of candidates for director positions recommended by stockholders, and recommending candidates to be nominated by the Board or elected by the Board as necessary to fill vacancies and newly created directorships. It also reviews and makes recommendations to the Board respecting the composition and functioning of Board committees, the Corporate Governance Guidelines, and the Board's performance. Mr. Parker is the Chairman of the Nominating Committee, and Messrs. Goolsby and Stack are members of the Nominating Committee.

The Board has determined that each member of the Nominating Committee is independent under the listing standards of the NYSE and under the Company's Independence Standards. The Nominating Committee is governed by a written charter adopted and approved by the Board. The Nominating Committee's charter is available on the Company's web site, [www.tejonranch.com](http://www.tejonranch.com), in the Corporate Governance section of the Investor Relations webpage, and is available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

The Nominating Committee is pleased to consider any properly submitted recommendations of director candidates from stockholders. Stockholders may recommend a candidate for consideration by the Nominating Committee by sending written notice addressed to the Nominating and Corporate Governance Committee Chair, c/o Corporate Secretary, P.O. Box 1000, Lebec, California 93243. The Nominating Committee does not evaluate candidates differently based on who has made the recommendation. Stockholders may also nominate persons for election to the Board by providing to timely notice in writing to the Secretary of the Company pursuant to the procedures set forth in the Company's Certificate of Incorporation. See Stockholder Proposals for 2013 Annual Meeting for additional information on the procedure for stockholder nominations.

The Nominating Committee has the authority under its charter to hire and pay a fee to outside counsel, experts or other advisors to assist in the process of identifying and evaluating candidates. No such outside advisors have been used to date and, accordingly, no fees have been paid to such advisors.

#### **Code of Business Conduct and Ethics and Corporate Governance Guidelines**

The Board has adopted a Code of Business Conduct and Ethics, which is applicable to all directors, officers, and employees. It also has adopted Corporate Governance Guidelines to guide its own operations. Both documents are available on the Company web site, [www.tejonranch.com](http://www.tejonranch.com), in the Corporate Governance section of the Investor Relations webpage, and are available in print form upon request to the Corporate Secretary, P.O. Box 1000, Lebec, California 93243.

#### **Board's Role in Risk Oversight**

The full Board oversees the Company's risk management process. The Board oversees a Company-wide approach to risk management, designed to enhance stockholder value, support the achievement of strategic objectives and improve long-term organizational performance. The full Board determines the appropriate level of risk for the Company generally, assesses the specific risks faced by the Company and reviews the steps taken by management to manage those risks. The full Board's involvement in setting the Company's business strategy facilitates these assessments and reviews, culminating in the development of a strategic plan that reflects both the

Board's and management's consensus as to appropriate levels of risk and the appropriate measures to manage those risks. The full Board assesses risk throughout the enterprise, focusing on risks arising out of various aspects of the Company's strategic plan and the implementation of that plan, including financial, legal/compliance, operational/strategic and compensation risks. In addition to discussing risk with the full Board, the independent directors discuss risk management during executive sessions without management present.

While the full Board maintains the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, the Audit Committee focuses on financial risk, including internal controls, and discusses the Company's risk profile with the Company's internal auditors. The Audit Committee also reviews potential violations of the Company's Code of Ethics and related corporate policies. The Compensation Committee periodically reviews compensation practices and policies to determine whether they encourage excessive risk taking. Finally, the Nominating Committee manages risks associated with the independence of directors and Board nominees. Pursuant to the Board's instruction, management regularly reports on applicable risks to the relevant committee or the full Board, as appropriate, with additional review or reporting on risks being conducted as needed or as requested by the Board and its committees.

The Compensation Committee has also reviewed the design and operation of the Company's compensation structures and policies as they pertain to risk and has determined that the Company's compensation programs do not create or encourage the taking of risks that are reasonably likely to have a material adverse effect on the Company.

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## COMPENSATION DISCUSSION & ANALYSIS

**Executive Summary.** The Compensation Discussion and Analysis discusses and analyzes Tejon's executive compensation program and the amounts shown in the executive compensation tables for our named executive officers. Our named executive officers for fiscal 2011 were: Robert A. Stine, Chief Executive Officer; Allen E. Lyda, Chief Financial Officer; Joe Drew, Senior Vice President, Real Estate; Kathleen Perkinson, Senior Vice President, Natural Resources and Stewardship; and Dennis Atkinson, Senior Vice President, Agriculture. As disclosed in our 2010 Annual Report on Form 10-K, Ms. Bjorn resigned as Vice President, General Counsel at the beginning of March 2011.

### 2011 Year in Review

The Company's financial performance exceeded expectations during 2011. For 2011, we had net income attributable to common stockholders of \$15,894,000, which was an increase of \$11,719,000 when compared to 2010. The improvement in net income is due to an increase in revenues of \$27,585,000. The increase in revenue was driven by the sale of conservation easements for \$15,750,000, a land sale for \$4,340,000, an increase in our oil royalties over the prior year of \$5,541,000, and a \$2,436,000 increase in farm revenues. Oil royalties improved due to higher prices and production and farming revenues improved due to higher almond and grape revenues. These improvements were partially offset by an increase in operating expenses of \$11,950,000 primarily due to an increase in stock compensation expense when compared to 2010. During 2010, stock compensation expense included a \$6,327,000 reversal of cost and in 2011 we recognized stock compensation expense of \$5,352,000.

The improvement in revenues during 2011 led to the annual incentive bonus quantitative metric EBITDA being met at the maximum goal level for the year. This metric is discussed below under Annual Performance-Based Incentive Bonuses as well as revenue and operating profit goals for commercial/industrial real estate and resort/residential. Based on the last three-years cash flow metric results the named executive officers met the 2009 rolling three-year cash flow objectives at the maximum award level. The rolling three-year cash flow metric is described in the equity compensation section. The grants associated with the 2009 three-year cash flow metric were paid out during March 2012. The number of grants that vested are identified in footnote 2 to the Outstanding Equity Awards at 2011 Fiscal Year-End table that begins on page 28.

For 2011 the Compensation Committee made the following decisions:

1. The base salary for the Chief Executive Officer was held at his 2010 level. The other named executive officers salaries were increased as recommended in a 2010 compensation study performed by an outside consultant, as discussed in greater detail below under The Role of the Compensation Consultant below and in the 2011 Annual Proxy Statement (the 2010 Compensation Report ). For 2012, the Chief Executive Officer and the other named executive officer's salaries were held at the 2011 levels.
2. Restricted stock subject to time-based vesting continued to be issued in lieu of cash for at least one-half of the earned annual incentive plan bonus for each named executive officer.
3. Changes were made to the named executive officer annual incentive program and long-term incentive program based on recommendations from a 2010 compensation plan review conducted by Mezrah Consulting, in connection with the 2010 Compensation Report. These changes went into effect in 2010 and are applicable to 2011 and future years.

At our 2011 Annual Meeting, our stockholders expressed support for our executive compensation program, with over 60% of votes cast voting in favor of the advisory vote proposal. When designing our 2012 executive compensation program, the Compensation Committee considered, among other things, the 2011 vote results and feedback we received from stockholders. In addition, the Compensation Committee also considered the results of the 2010 Compensation Report, as discussed in the 2011 Proxy Statement. After careful consideration of these

factors, the Compensation Committee determined to make certain changes to the design of our executive compensation program for 2012 as discussed in this Compensation Discussion and Analysis. Stockholders also expressed support for our determination to hold an advisory vote on our executive compensation program once every three years. Therefore, we expect the next advisory vote on executive compensation to occur at our 2014 annual meeting.

#### 2012 The Year Ahead

The Company believes 2012 will not be as strong an income year as 2011 due to the one time sale of conservation easements in 2011 for \$15,750,000. We expect activity at Tejon Ranch Commerce Center, or TRCC, to continue to improve through 2012 building on the closing of two industrial transactions at the end of 2011. In order to conserve cash going forward, the Compensation Committee's compensation decisions will continue to be impacted by our anticipation of the need to continue to fund our joint ventures as they pursue development opportunities, future capital investment requirements for infrastructure at TRCC, and possible continued investment in water assets.

**General Objectives of the Compensation Plan.** The compensation program for our named executive officers is designed to align management's incentives with the long-term interests of our stockholders and to be competitive with comparable employers. Our compensation philosophy recognizes the value of rewarding our named executive officers for their past performance and motivating them to continue to excel in the future. The Compensation Committee has developed and maintains a compensation program that rewards superior performance and seeks to encourage actions that drive our business strategy. Our compensation strategy is to provide a competitive opportunity for senior executives taking into account their total compensation packages, which include a combination of base salary, an annual cash- and stock-based incentive bonus (with the stock-based component taking the form of restricted stock subject to time-based vesting), and long-term performance-based equity awards. At the named executive officer level, our incentive compensation arrangements are designed to reward the achievement of long-term milestone objectives related to real estate development, as well as the achievement of year-to-year operating performance goals.

**The Role of Executives in Setting Compensation.** The Compensation Committee of the Board approves all compensation and awards to senior management, including the Chief Executive Officer and the other named executive officers. The Compensation Committee independently reviews and establishes the compensation levels of the Chief Executive Officer and reviews the performance of the Chief Executive Officer and discusses his performance with him. At the beginning of the year, the Chief Executive Officer works with the Compensation Committee to establish his goals and objectives to be evaluated throughout the year. For the remaining executive officers, the Chief Executive Officer makes recommendations as to compensation levels, including grants of equity awards and the establishment of performance objectives for annual performance-based incentive bonuses, for final approval by the Compensation Committee, which then makes its recommendation to the full Board of Directors for its approval.

**The Role of the Compensation Consultant.** During 2010, Mezrah Consulting, an outside consultant group hired by the Compensation Committee performed an analysis of the Company's named executive officer compensation that is reflected in the 2010 Compensation Report. The analysis reviewed total compensation and the various components of total compensation including base salary, annual incentive bonus, and long-term compensation. The consulting assignment focused on the following:

Review of the Company's business strategy as compared to the Company's current compensation program to determine if alignment is appropriate.

Review of external pay levels for the executive team across all elements of pay.

Provide recommendations for modifications, if any, in elements of pay.

Review, in particular, the Company's long-term incentive compensation structure, which is comprised of performance shares and milestone grants.

The 2010 Compensation Report concluded the Company's short-term cash compensation (salary and annual bonus) was below competitive market levels and the consultant recommended that beginning in 2011 increases in both components of short-term cash compensation should be considered. The consulting group also concluded that the successful entitlement of Company projects is extremely important to stockholder value and continuing to attach milestone performance goals to long-term incentive compensation is appropriate. See Compensation Discussion and Analysis The Role of Executives in Setting Compensation in our 2011 Proxy Statement for additional details regarding the 2010 Compensation Report.

**Overall Compensation Plan Design.** The compensation policies developed by the Compensation Committee are based on the philosophy that compensation should reflect both financial and operational performance of the Company and the individual performance of the executive. The Compensation Committee also believes that long-term incentives should be a significant factor in the determination of compensation, particularly because the business of real estate development, including obtaining entitlement approvals and completing development, and many of the other actions and decisions of our named executive officers, require a long time horizon, before the Company realizes a tangible financial benefit.

The Compensation Committee's objectives when setting compensation for our named executive officers are:

Set compensation levels that are sufficiently competitive such that they will motivate and reward the highest quality individuals to contribute to our goals, objectives and overall financial success.

Retain executives and encourage continued service. The Compensation Committee seeks to encourage and maintain continuity of the management team.

Incentivize executives to appropriately manage risks while attempting to improve our financial results, performance and condition over both the short-term and the long-term. The Compensation Committee attempts to provide both short-term and long-term compensation to reward current performance, as well as to provide financial incentive to achieve long-term goals. Short-term compensation is typically in the form of annual cash or stock incentive bonuses, long-term compensation is typically in the form of equity-based awards. Because of the nature of our business and the way we operate our business and implement our strategies, we may not witness the positive results of many decisions made or actions taken by our named executive officers in the current fiscal year or for several years. Accordingly, the Compensation Committee, by providing both short-term and long-term compensation, seeks to motivate and reward named executive officers for decisions made today that will likely have positive long-term effects.

Align executive and stockholder interest. The Compensation Committee believes that the use of equity compensation as a key component of executive compensation is a valuable tool for aligning the interest of our named executive officers with those of our stockholders.

Obtain tax deductibility whenever appropriate. The Compensation Committee believes that tax-deductibility for the Company is generally a favorable feature for an executive compensation program, from the perspectives of both the Company and the stockholders. However, the Compensation Committee will not necessarily limit compensation to those levels or types of compensation that will be deductible.

Conserve cash. The Compensation Committee, mindful of the importance of the Company's cash for future investment purposes, has determined that all named executive officers' annual incentive bonuses beginning in 2010, and going forward for an unspecified period of time, will at a minimum be paid one-half in restricted stock subject to time-based vesting and one-half in cash. Restricted stock grants under the 2011 annual incentive program were granted in December 2011 and will vest in three annual installments of one third each beginning March 2012 and ending in March 2014.

**Elements of Compensation.** The material elements of the compensation program for our named executive officers include: (i) base salary; (ii) annual cash- and stock-based incentive bonuses (with the stock-based component taking the form of restricted stock subject to time-based vesting); (iii) long-term equity-based



compensation (i.e. performance units); (iv) change in control arrangements; and (v) other compensation consisting of participation in broad-based pension and benefit plans, participation in supplemental executive retirement and nonqualified deferred compensation plans and executive perquisites.

**Base Salaries.** Tejon provides its named executive officers with a level of assured cash compensation in the form of base salaries, which the Compensation Committee believes are appropriate given the named executive officers' professional status, accomplishments, responsibilities and importance to the business. The Compensation Committee believed, based on the 2010 Compensation Report and the individual business experiences and general industry knowledge of its members, that 2010 base salaries for each of the named executive officers other than the CEO were below market for comparable positions. We are generally able to pay our named executive officers lower base salaries than comparable companies, and still attract and retain highly qualified executives, because of the performance-based incentive compensation opportunities that we offer. We believe that having the overall compensation emphasis on long-term equity incentives instead of short-term cash compensation better aligns management with stockholders.

For 2011, based on the data provided in the 2010 Compensation Report, the Compensation Committee determined that the base salary for the CEO, taking into account the restoration in 2011 of a \$50,000 voluntary reduction in salary in April 2009, was competitive at \$500,000 per year and that the base salaries for the other named executive officers should be increased.

As noted above, our Chief Executive Officer's salary was held at the 2010 level in 2011, except that a voluntary \$50,000 reduction in salary that was taken in April 2009 was restored for 2011. In determining to keep our Chief Executive Officer's 2011 base salary at \$500,000, the Compensation Committee took into account that the total compensation package for the Chief Executive Officer, including base salary, is competitive with the market, based on the 2010 Compensation Report and the general experience of the Compensation Committee's members in our industry, the Company's current stage within the land development process, the current economic environment, the status of the current real estate industry and market and how these factors can impact current compensation levels. For 2012 the Chief Executive Officer's annual base salary will remain at \$500,000 as the Compensation Committee has determined, based on the 2010 Compensation Report that base salary for the Chief Executive Officer is appropriate at that level.

The Compensation Committee, along with the Chief Executive Officer, performed an annual review of each of the other named executive officers' salaries based upon information provided in the 2010 Compensation Report and evaluated possible changes to base salary for each of the other named executive officers for 2011. Based on this 2010 annual review and the compensation consultant's recommendation in the 2010 Compensation Report, 2011 salaries for the following named executive officers were increased by the following amounts: Chief Financial Officer \$34,750; Senior Vice President, Real Estate \$17,950; and the Senior Vice President, Natural Resources and Stewardship \$20,000. For 2012, the Compensation Committee determined that salaries for all of the named executive officers were at the appropriate level and held salaries consistent with 2011 levels.

**Annual Performance-Based Incentive Bonuses.** Tejon's practice is to award annual incentive bonuses based upon the achievement of performance objectives established at the beginning of each year that will best move the Company forward to achieve its cash flow, land entitlement, land development, and land conservation goals. Beginning in 2011, each named executive officer at a minimum has 50% of the annual incentive bonus based upon EBITDA or divisional revenues and earnings. The remaining 50% of the annual incentive bonus is tied to the achievement of qualitative measures based upon areas of emphasis that the Compensation Committee believes are important for the particular named executive officer to focus on in the context of achieving the Company's long-term strategic goals and creating stockholder value. During fiscal 2010, the Compensation Committee determined that all named executive officers' annual incentive bonuses for fiscal 2010 performance, and going forward for an unspecified period of time, will be paid in restricted stock (which restricted stock is subject to time-based vesting conditions following the award of the annual bonus) and cash with restricted stock equaling at least one-half of the annual incentive payment. Vesting of restricted stock issued in settlement of 2011 annual bonuses will occur in three installments, one-third each year, beginning in March 2012 and ending

in March 2014. To account for the delay in receiving the full incentive (the restricted stock grants are not fully vested until March 2014, whereas cash bonuses would have been paid in full in March 2012) and the fact that each named executive officer must stay with the Company through March 2014 to receive a full incentive payout, the Compensation Committee decided to increase the value of the stock grant portion of the annual incentive payment by a multiple of 1.19 as compared to the cash award portion of the payment. The 1.19 multiple is based upon a net present value calculation that determined the multiple necessary for the stock portion of the award to have the same value as the immediate cash portion of the award.

The attainment of each year's quantitative financial goals for each of the named executive officers is uncertain and is dependent upon factors such as real estate sales and leasing programs the timing of entitlement activities for our developments, and the uncertainty inherent in our farming operations due to the commodity nature of the products we produce and the fact that we do not know the prices we will receive for our products until harvest begins for a particular year. The achievement of qualitative goals tied to land entitlement, development, and conservation efforts are very dependent on working with groups outside of the Company such as government agencies, local county planning departments, and environmental resource groups all of which make the timing of achieving specific steps in the process very complicated. Accordingly, goal achievement under the annual bonus plan is not guaranteed.

The following chart provides the performance level weightings for the Chief Executive Officer and the other named executive officers who were employed for the entire fiscal year and were eligible to receive an annual performance-based incentive bonus. Each of the performance level weighting categories shown in the chart must total 100% within the category and then each category is given a percentage weighting for each named executive officer so that the four categories total 100%.

	<b>Robert A. Stine - Chief Executive Officer</b>	<b>Allen E. Lyda - Chief Financial Officer</b>	<b>Joseph E. Drew - SVP Real Estate</b>	<b>Kathleen Perkinson SVP-Natural Resources</b>	<b>Dennis J. Atkinson SVP Agriculture</b>
<b>Quantitative Measurements Corporate:</b>					
EBITDA	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Performance Level Total Weighting</b>	<b>50.00%</b>	<b>50.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Division Quantitative Measurements:</b>					
Division revenues	0.00%	0.00%	40.00%	60.00%	40.00%
Division net operating income	0.00%	0.00%	60.00%	40.00%	60.00%
	0.00%	0.00%	100.00%	100.00%	100.00%
<b>Performance Level Total Weighting</b>	<b>0.00%</b>	<b>0.00%</b>	<b>40.00%</b>	<b>40.00%</b>	<b>40.00%</b>
<b>Qualitative Measurements:</b>					
Business development	65.00%	15.00%	50.00%	50.00%	35.00%
Operating objectives	15.00%	20.00%	20.00%	20.00%	35.00%
Financial objectives	0.00%	45.00%	30.00%	30.00%	15.00%
Staffing/organizational objectives	20.00%	20.00%	0.00%	0.00%	10.00%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Performance Level Total Weighting</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>
<b>Discretionary Performance Level Weighting</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>	<b>25.00%</b>
<b>Total Performance Level Weightings</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



Generally the Chief Executive Officer's qualitative goals are tied to land entitlement, public outreach in support of entitlement, development and conservation goals as well as operational and staffing objectives. The qualitative performance goals for the other named executive officers are related to land entitlement, development, and operational goals that support the achievement of corporate entitlement and development goals. The Compensation Committee, after taking into account the Chief Executive Officer's recommendations, sets the specific weightings for each named executive officer based on the relative importance of a specific objective in moving the Company forward in achieving its long-term goals and objectives and also his or her direct role in achieving such objective.

The plan is structured and bonus levels are determined, based upon the level of achievement, of threshold, target and maximum performance of quantitative and qualitative objectives. If achievement of a performance objective is below threshold, no incentive bonus is earned for that objective and if achievement is greater than maximum, the maximum bonus level is earned. The Chief Executive Officer and the other named executive officers have different cash incentive pay levels (expressed as a percentage of base salary) for achievement at the threshold, target and maximum levels. These percentage levels are based on an analysis performed by Mezrah Consulting in their 2010 Compensation Report that compared prior target bonus levels with market levels and determined that the Company was below competitive levels. The target percentage levels below are based on a range of 80% to 90% of the competitive ranges for comparable positions for each named executive officer determined in the 2010 Compensation Report.

	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Robert A. Stine, Chief Executive Officer	40.00%	80.00%	120.00%
Allen E. Lyda, Chief Financial Officer	27.50%	55.00%	82.50%
Joseph E. Drew, Senior Vice President, Real Estate	27.50%	55.00%	82.50%
Kathleen Perkinson, Senior Vice President, Natural Resources and Stewardship	27.50%	55.00%	82.50%
Dennis Atkinson, Senior Vice President, Agriculture	25.00%	50.00%	75.00%

The following chart provides a breakdown of 2011 annual incentive award measurement by performance measurement categories and the total 2011 incentive award as a percentage of salary. However, final award measurement for the named executive officers will reflect actual results. Therefore, if the actual result for a particular measurement was 25% in excess of the target level then the award measurement actually paid out to the named executive officer for that component of his or her annual performance-based incentive bonus would be 1.25 times the target percentage referenced in the table above.

	<b>Robert A. Stine - Chief Executive Officer</b>	<b>Allen E. Lyda - Chief Financial Officer</b>	<b>Joseph E. Drew - SVP Real Estate</b>	<b>Kathleen Perkinson - SVP Natural Resources</b>	<b>Dennis J. Atkinson SVP Agriculture</b>
<b>Quantitative Measurements Corporate:</b>					
Performance Level Total Weighting	50.00%	50.00%	10.00%	10.00%	10.00%
Award measurement	120.00%	82.50%	82.50%	82.50%	75.00%
Weighted performance total	60.00%	41.25%	8.25%	8.25%	7.5%
<b>Division Quantitative Measurements:</b>					
Performance Level Total Weighting	0.00%	0.00%	40.00%	40.00%	40.00%
Award measurement	0.00%	0.00%	79.56%	55.38%	75.00%
Weighted performance total	0.00%	0.00%	31.82%	22.15%	30.00%
<b>Qualitative Measurements:</b>					
Performance Level Total Weighting	25.00%	25.00%	25.00%	25.00%	25.00%
Award measurement	80.00%	75.00%	80.00%	75.00%	70.00%
Weighted performance total	20.00%	18.75%	20.00%	18.75%	17.50%
<b>Discretionary Performance Level Weighting</b>					
Performance Level Total Weighting	25.00%	25.00%	25.00%	25.00%	25.00%
Award measurement	80.00%	75.00%	76.00%	80.00%	68.60%
Weighted performance total	20.00%	18.75%	19.00%	20.00%	17.15%
Total Incentive Award as a Percentage of Salary	100.00%	78.75%	79.07%	69.15%	72.15%
<b>Quantitative Financial Goal -Corporate</b>					

Because a very important long-term goal is the achievement of entitlements for our real estate development projects and since Tejon does not generate significant revenue at this time, its short-term objectives, both quantitative and qualitative, are tied to metrics that are critical for the accomplishment of long-term goals. Beginning in 2011, a single corporate financial goal will be considered: EBITDA. Our definition of EBITDA is earnings before interest, taxes, depreciation, amortization, and non-cash stock compensation. We believe this is a more accurate measurement of the cash operations of the Company. Each named executive officer's weighting is different based on whether or not they have division revenue and operating income responsibility and the emphasis placed each year on division performance. This corporate measurement is being used, rather than total revenue or net income, because at this stage in the Company's business EBITDA provides a better indicator of managements creation of operating cash and overall financial performance since the Company has significant non-cash expenses each year. For 2011, achievement of target performance with respect to this quantitative financial goal required that EBITDA equal \$10,526,000 with threshold performance at \$7,895,000, and maximum performance at \$15,789,000. These performance measurement numbers are based on calculations within the Company's 2011 business plan and operating budget. For 2011, the Company exceeded the maximum target EBITDA with EBITDA equaling \$32,303,000. The actual results for the year were above the maximum target budget amount due to the sale of land in December 2011 for \$4.9 million that was not included in the 2011 operating budget, a \$6.7 million increase in oil royalty revenue when compared to budget due to a 44% increase in production and in prices, and a \$7.0 million improvement in farming revenues when compared to the 2011 Budget.

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***Quantitative Financial Goal Division***

The quantitative goals are established each year in connection with our annual budgeting process. The threshold level reflects what we believe to be the minimum acceptable level of performance and therefore more attainable, while the target level reflects current year budget goals that we believe to be realistically attainable goals. The maximum achievement is set at what we believe will be a very difficult level to achieve without both significant effort by the executive and overall success by the Company with respect to the particular category or measurement.

The Senior Vice President, Real Estate has quantitative goals related to revenue and income that complement the overall corporate objective. The Senior Vice President Real Estate for 2011 had a target revenue goal of \$12,330,000 with a threshold goal of \$9,248,000 and a maximum goal of \$18,495,000 for commercial/industrial real estate revenues only including gains or losses from the Rockefeller joint venture activities, but not including grazing leases, land management ancillary revenues, and revenue from our power plant lease. For 2011, the Company achieved \$17,561,000 in actual revenues, which was in excess of the target goal, but less than the maximum goal. The Senior Vice President, Real Estate also had a target net income goal of \$6,661,000 with a threshold goal of \$4,996,000 and a maximum goal of \$9,992,000, based on commercial/industrial activities only. For 2011, actual achievement was net income of \$9,735,000, which was in excess of the target goal for the year but slightly less than the maximum goal. Both goals were achieved at above target levels during the year when compared to 2011 budgeted numbers due largely to the improvement in oil revenues compared to the 2011 business plan and operating budget and the unbudgeted sale of industrial land within the TRCC development. Mr. Drew's blended performance percentage is shown in the table above. The Senior Vice President, Natural Resources and Stewardship had a quantitative goal related to budgeted revenues within our resort/residential operating segment only, with the target goal being \$16,030,000, threshold goal of \$12,023,000, and the maximum goal of \$24,045,000. The Senior Vice President, Natural Resources and Stewardship also had a net operating income target goal of \$12,073,000, threshold goal of \$9,055,000, and maximum net operating income goal of \$18,110,000. This operating segment, for our budget purposes and compensation evaluation purposes, includes the net income or loss of our Tejon Mountain Village and Centennial joint ventures. During 2011, actual revenues totaled \$16,134,000, which was slightly higher than target achievement and net operating income for the year was \$12,166,000, also slightly higher than target goal achievement. The Senior Vice President, Farming had a 2011 quantitative goal related to farming revenues with the target goal being \$14,005,000, threshold goal of \$10,504,000, and a maximum goal of \$21,008,000. For 2011, the Company recognized \$21,012,000 in farming revenue, which is in excess of the maximum goal. The Senior Vice President of Farming also had a target net income goal for the year of \$269,000, a threshold goal of \$202,000, and a maximum net income goal of \$404,000. For 2011, actual achievement was net farming income of \$8,437,000, which is greater than the maximum goal level. Both goals were achieved at maximum goal level due to significant increases in almond and grape revenue largely driven by higher production levels for both crops and higher prices for grapes.

***Qualitative Performance Objectives***

In addition to the quantitative goals described above, the Chief Executive Officer's annual incentive bonus in 2011 was based upon the achievement of qualitative performance objectives proposed by the Chief Executive Officer and agreed upon and approved by the Compensation Committee. These objectives are tied to business development and organizational goals that move the Company forward in achieving its long-term objectives (including the achievement of strategic milestones related to land development and conservation efforts that the Compensation Committee and the Board believe to be critical to the achievement of the Company's long-term business plan). Qualitative goals for 2011 specifically related to leading and directing a ranch-wide strategy to facilitate future successful entitlement of our development projects, overseeing a public outreach strategy to build support for our entitlement programs, and overseeing the implementation of conservation strategies to build support for our entitlement programs. Based on meaningful progress in moving forward our Centennial project, the successful closing of the conservation easement sale, and the continued strengthening of the Company's water investment and water infrastructure program, the Compensation Committee determined that the Chief Executive Officer achieved a target level of performance.

The other named executive officers have more diverse qualitative performance goals than the CEO, generally tied to individual areas of responsibility, which focus both on short-term and long-term goals (including improving operational efficiencies and achieving milestones and other goals with respect to the Company's long-term business strategy related to land entitlement, development, and conservation). Generally the qualitative goals covered: (1) coordinating with joint venture partners regarding entitlement and permitting activity milestones for our Tejon Mountain Village community and the Centennial community; (2) guiding the Company in working with various government agencies as a part of the entitlement process; (3) implementation of a ranch wide management plan in connection with the Conservation and Land Use Agreement; (4) acquiring and managing new water resources; (5) expansion of oil exploration on ranch lands; (6) successful leasing of the 606,000 square foot building in the Five West Parcel joint venture; (7) successful completion of new ten-year farm management program; and (8) coordination with key Resource Organizations and the Tejon Ranch Conservancy to allow for successful entitlement of our development projects.

The Chief Executive Officer and the Compensation Committee evaluate the success of the named executive officers (other than the CEO) in meeting their individual qualitative goals and objectives, with final approval provided by the Compensation Committee. In evaluating the success of meeting specific qualitative objectives the Chief Executive Officer and the Compensation Committee review the objective and identify whether or not the objective was accomplished or if the proper amount of progress has been made in achieving the objective. The Chief Executive Officer and the Compensation Committee note for each objective if the objective was accomplished in the time frame designated and the outcome achieved was as specified in the original objective. Based on each named executive officer's achievement of his and her goals and objectives and the qualitative goals listed above the Compensation Committee approved achievement of the qualitative goals for 2011 for the named executive officers at the levels shown in the above table.

#### *Discretionary Performance*

On a subjective basis the Compensation Committee evaluates the overall performance of the Chief Executive Officer and the other named executive officers outside of the attainment of specified qualitative goals taking into account concepts such as teamwork, management of staff and departments, and management of process between departments. No specific weighting is given to any of these concepts or other factors the Compensation Committee may include in their performance evaluation. The Chief Executive Officer and the other named executive officers subjective weighting is identified above under Discretionary Performance Level Weighting. As shown in the above table this subjective weighting is included in the calculation of the final annual incentive award percentage.

**Equity Compensation.** The long-term value of the Company will be driven by the execution of its long-term strategies. Accordingly, Tejon uses long-term incentives to align senior managements' interests with stockholders' interests. The Compensation Committee believes that management should own stock and that teamwork among the management group is important in meeting business goals. Therefore, long-term milestone incentives are goal-based, with common performance measures for all participants that encourage teamwork.

The vesting of equity grants issued since 2004 has been tied to the achievement of specific goals and objectives. The Company grants long-term milestone performance units that are tied to the achievement of several objectives related to our land entitlement and real estate development activities, including our success in achieving entitlements for our planned communities. Due to their strategic significance, we believe that disclosing specific objectives and timeframes might result in competitive harm or delay achievement of long-term strategic objectives. We believe that the achievement of the target level of performance will require significant effort and substantial progress over the next few years in light of the current entitlement environment in California. No milestone performance grants vested during 2011.

With respect to the grant of the annual performance units, the Company's practice is to determine annually a dollar amount of equity compensation that it wishes to provide and to grant a number of performance units that have a fair market value equal to that amount on the date of grant. Vesting of these annual grants is tied to the

achievement of a rolling three-year cash metric. The rolling three-year cash metric is budgeted cash provided from operations less cash used for capital investment, excluding activities within marketable securities. For 2011, the dollar amount for the Chief Executive Officer was \$300,000 and for the other named executive officers it was a range from \$90,000 to \$118,000 depending on the importance of the input from each of the other named executive officers to the successful achievement of the goal. The level of the target dollar amount for each named executive officer is based on the 2010 Compensation Report that recommended long-term compensation goals for each position. The number of shares of stock is based on a ninety-day average stock price divided into each named executive officers dollar amount of value. The shares granted are expensed based on the closing price of the stock on grant date.

The annual performance units are tied to the achievement of the rolling three-year cash flow metric, described above. This performance metric was selected by the Compensation Committee as a measurement of management's ability to manage cash assets over an extended period at a time when cash demands will be high and net income will not be significant. For 2011, this cash flow measure covers the years 2011 through 2013 and has a cumulative cash usage target of \$39,762,000. The Company believes that achievement of this target level of performance will require significant effort and is dependent on the continued absorption of land at Tejon Ranch Commerce Center and progress with respect to entitlement activities at Tejon Mountain Village and Centennial. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2011 for additional information regarding entitlement and development activities. This target assumes we are moving forward in a positive manner with respect to our development projects. These grants vest after three years and the number of shares to be received is determined by the extent of performance achievement and can range from zero shares to the maximum award amount, which is 150% of the target award. The goal for the 2008 - 2010 period was cumulative cash usage of \$54,407,000, the goal for the 2009 - 2011 period is cumulative cash usage of \$144,261,000, and the target goal for the 2010 - 2012 period is a cumulative cash usage of \$46,365,000. For the 2008 - 2010 period, the named executive officers goal achievement fell eight percent short of the target objective. This outcome falls between the threshold goal and the target goal and based on this outcome the named executive officers earned a grant that vested in 2011. For the 2009 - 2011 period, the named executive officers goal achievement was at the maximum performance level. These grants, which are referenced in footnote 2 to the Outstanding Equity Awards at 2011 Fiscal Year-End table that begins on page 28, vested and were delivered after the March 2012 Board of Directors meeting. See the 2011 Grants of Plan Based Awards Table on page 27, for number of shares granted each named executive officer for the 2011 2013 rolling three-year period. The table below summarizes the outstanding (as of the end of 2011) performance grant measurement goals.

(Dollars in thousands)

Performance Grant	Threshold	Target	Maximum	Actual
2009-2011 Cash Flow Objective	(216,392)	(144,261)	(72,131)	(34,129)
2010-2012 Cash Flow Objective	(69,548)	(46,365)	(23,183)	n/a
2011-2013 Cash Flow Objective	(59,643)	(39,762)	(19,881)	n/a

The Company does not have any program, plan or practice to time equity awards in coordination with the release of material non-public information, nor does the Company time the release of material nonpublic information for the purpose of affecting the value of executive compensation.

**Retirement Plans.** The Compensation Committee believes that retirement programs are important to the Company as they contribute to the Company's ability to be competitive with its peers and are consistent with Tejon's philosophy of preferring long-term pay over short-term pay. For most of our employees, including the Chief Executive Officer, the Chief Financial Officer, and the Senior Vice President Real Estate, Tejon provides a pension plan and a 401(k) plan. For the Chief Executive Officer and two other named executive officers, the Company also provides a supplemental executive retirement plan, or SERP. The Senior Vice President Natural Resources and Stewardship is not included in the pension plan or SERP, which were frozen as of February 1, 2007, based on their hiring date but are included in the 401(k) plan. The Compensation Committee believes that retirement benefits are an important piece of the overall compensation package for the named executive officers.

Benefits to be received from the pension plan upon retirement are determined by an employee's five-year final average annual compensation, length of service with the company, and age at retirement. Average annual compensation consists only of base salary and annual incentive bonuses paid in either cash or stock. Benefits from the pension plan can be limited for the named executive officers who participate in the pension plan due to Internal Revenue Service compensation ceilings that are used in the calculation of pension benefits. Because of the Internal Revenue Service limits within the pension plan, the Company established a SERP to replace any pension benefit these officers might lose based on the benefit calculations within the pension plan. Without the SERP, our named executive officers who participate in the pension plan would not otherwise be eligible to receive pension benefits that are comparable in percentage based on compensation to the benefits received by other employees generally. The benefit in the SERP is calculated using the same criteria as the pension plan except that total average compensation is used and the difference between the SERP calculation and the pension calculation is the value of the SERP benefit.

In order to manage the costs of, and the liabilities from the pension and SERP plans, the Company restructured the pension plan in early 2007 to lower the benefit accrual rate, change the retirement age to match social security retirement age, and freeze new employee participation effective February 1, 2007. These changes were made not only to manage costs but also to allow the Company to continue to reward long-term service with the Company. The Company also offers a 401(k) program to its employees, which offers a matching contribution equal to one percent of salary if the employee contributes at least four percent of salary to the plan. Tied to the changes in the pension plan described above, we increased the match for employees who will not be eligible for the pension plan to two percent of salary if they contribute at least four percent of salary to the plan.

The named executive officers may elect to defer cash and equity-based compensation payable to them pursuant to the Company's deferred compensation plan. This plan is designed to allow for retirement savings above the limits imposed by the IRS for 401(k) plans on an income tax-deferred basis. Cash amounts deferred into the plan are held in accounts with values indexed to the performance of selected mutual funds. Stock awards deferred into the plan can be converted to cash or kept in the Company's stock. All participants to date have only deferred stock awards and have maintained stock in the plan. The Company does not provide a match on executive deferrals under the deferred compensation plan.

**Clawback Policy.** The Company does not currently have a policy requiring a fixed course of action with respect to compensation adjustments following later restatements of performance targets. Under those circumstances, the Compensation Committee would evaluate whether compensation adjustments were appropriate based upon the facts and circumstances surrounding the restatement.

**Stock Ownership Guidelines.** The Company has stock retention guidelines which encourage the Chief Executive Officer to own by December 2014 shares and performance units and deferred shares, which have an aggregate value equal to or greater than five times his annual salary. The stock retention guidelines for the other named executive officers are calculated similarly except that the target retention value is two times their respective salaries, except for the Chief Financial Officer whose target retention value is three times his annual salary. All named executive officers are expected to make reasonably steady progress toward these ownership guidelines between now and December 2014 and the Compensation Committee reviews such progress annually. Since these guidelines are not a contractual basis for remaining in the employment of the Company, the success or lack of success in meeting the guidelines by 2014 will be evaluated by the Compensation Committee in 2014 and reflected in each named executive officer's annual review for that year.

**Change in Control Benefits.** The Compensation Committee believes that stockholders' interests will be best served if the interests of executive management are aligned with them, and that providing management with change in control benefits supports that objective by focusing executives on stockholder interests when considering strategic alternatives. Except for accelerated vesting of equity awards pursuant to our equity compensation plan, change in control benefits, as provided in a severance agreement with each of our named executive officers, are only provided upon a termination of employment without cause or a resignation for good

reason in connection with a change in control. Please refer to the Potential Payments upon Termination or Change in Control table on page 31 of this proxy statement for a more detailed description and an estimate of value of these benefits. None of the agreements with our named executive officers or other compensation plans or arrangements provide for a gross-up payment or re-imbusement for excise taxes that could be imposed on the executives under Section 4999 of the Code.

In addition to the foregoing change in control severance benefits, the named executive officers who participate in the pension plan and SERP will also continue to be entitled to benefits under any existing pension plan and SERP as determined in accordance with the terms of those plans. If a named executive officer has been credited with more than 15 years of service, as of the effective date of termination, he or she shall also be credited with additional years of service under the plans for the period of salary continuation referred to above.

**Separation or Severance Benefits.** The Company does not have any contractual obligation to provide severance benefits, though under some circumstances the Compensation Committee believes it is in the Company's best interest to provide a severance benefit in order to provide a smooth transition period for the Company when an executive leaves. Separation benefits in the form of salary continuation and health benefits may be provided to departing executives on a case-by-case basis. These benefits have historically averaged approximately one year. In these cases, the Company did not have a contractual obligation to provide a separation package.

Unless the Compensation Committee determines otherwise, if prior to vesting of all or any part of a restricted stock award or performance unit award, a named executive officer's employment with the Company is terminated for any reason, including death or disability, the named executive officer will forfeit to the Company the portion of the award which has not vested.

**Perquisites and Other Personal Benefits.** The Compensation Committee reviews annually the perquisites that named executive officers receive. The primary benefits for the named executive officers are Company vehicles and related maintenance. In addition, the Chief Executive Officer receives additional life insurance in excess of the insurance that is part of the Company's broad-based life insurance policy. This additional insurance supplement is necessary to provide the same three times salary benefit that other employees receive. These benefits are provided to attract and retain highly qualified executives and because executives often place a higher value on these benefits relative to cost to the Company as compared to increases in cash compensation. In addition, the automobile benefit is provided to executives as well as other company employees because the Company's location and the size of the Company's property necessitate extensive car travel.

Senior management also participates in the Company's other benefit plans on the same terms as other employees. These plans include medical, dental and life insurance.

**Tax Considerations.** Section 162(m) of the Internal Revenue Code imposes a \$1 million limit on the deductibility of compensation paid to certain executive officers of public companies, unless the compensation meets certain requirements for performance-based compensation. In determining executive compensation, the Compensation Committee considers, among other factors, the possible tax consequences to the company and to the executives. However, tax consequences, including but not limited to tax deductibility by the company, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by executives regarding options and other rights) that are beyond our control. In addition, the Compensation Committee believes that it is important for us to retain maximum flexibility in designing compensation programs that meet our stated objectives. For these reasons, although the Compensation Committee will consider tax deductibility as one of the factors in determining executive compensation, it will not necessarily limit compensation to those levels or types of compensation that will be deductible. We will, of course, consider alternative forms of compensation consistent with our compensation goals that preserve deductibility as much as possible.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Directors Goolsby, Metcalfe, Parker, and Stack comprise the Compensation Committee. All of the members of the Compensation Committee are independent directors under the listing standards of the NYSE and under the Company's Independence Standards. No member of the Compensation Committee has had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in the Company's 2012 Proxy Statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2011. This report is provided by the following independent directors, who comprise the Compensation Committee.

Geoffrey L. Stack (Chairman), John L. Goolsby,

Norman Metcalfe, George G.C. Parker

Members of the Compensation Committee



**Fiscal Year 2011 Summary Compensation Table**

The following table summarizes the total compensation awarded to, earned by, or paid to each of the named executive officers for the fiscal years ended December 31, 2011, 2010, and 2009.

Name and Principal Position	Year	Salary (\$)	(2) Stock Awards (\$)	(3) Non-Equity Incentive Plan Compensation (\$)	(4) Change in Pension Value and Nonqualified Deferred Compensation Earnings	(5) (6) All Other Compensation (\$)	Total (\$)
					(\$)		
Robert A. Stine, (1) Chief Executive Officer	2011	500,000	448,073	500,000	1,073,361	29,791	2,551,225
	2010	450,000	5,384,617	355,000	666,635	31,615	6,887,867
	2009	466,667	279,940	304,000	56,390	28,232	1,135,229
Allen E. Lyda, Chief Financial Officer	2011	250,000	168,924	196,875	276,262	15,492	907,553
	2010	215,250	1,864,970	115,331	179,307	21,823	2,396,681
	2009	215,250	89,895	101,105	45,665	14,105	466,020
Joe Drew, Senior Vice President, Real Estate	2011	225,000	174,622	177,728	96,052	17,715	691,117
	2010	207,050	1,640,869	107,412	101,570	20,684	2,077,585
	2009	207,050	85,701	79,052	45,665	12,786	430,254
Kathleen Perkinson, Senior Vice President, Natural Resources and Stewardship	2011	225,000	172,502	155,410		21,971	574,883
	2010	205,000	1,553,720	110,065		21,146	1,889,931
	2009	205,000	86,822	84,884		16,502	393,208
Dennis J. Atkinson Senior Vice President, Agriculture	2011	185,000	116,446	133,478	138,571	20,376	593,871

- Mr. Stine does not receive any additional compensation for being a director of the Company. In April 2009, Mr. Stine took a voluntary \$50,000 annual reduction in salary as a part of a cost reduction program. The reduction was restored in 2011.
- The figures in this column represent two separate stock grants for the Chief Executive Officer and for the other named executive officers: (i) the incremental value of the stock awards granted in lieu of cash payments under the Company's annual incentive plan for 2011 over the value of the cash awards that would have otherwise been payable based upon 2011 performance (see the discussion in the Compensation Discussion and Analysis under Annual Performance-Based Incentive Bonuses on page 16 above for additional detail regarding this program); and (ii) the grant date fair value of the three-year rolling performance shares granted in 2011. The incremental value of the stock awards granted in lieu of cash payouts under the annual incentive plan equaled the following for 2011 for the named executive officers: Mr. Stine \$47,500; Mr. Lyda \$18,704; Mr. Drew; \$16,884; Ms. Perkinson \$14,764; and Mr. Atkinson \$12,680. The grant date fair value at target for the three-year rolling performance shares awards included in this column are \$400,573 for Mr. Stine, \$150,220 for Mr. Lyda, \$157,738 for Mr. Drew and Ms. Perkinson, and \$103,766 for Mr. Atkinson. At maximum achievement the value received by the named executive officers under the three-year rolling performance shares awards granted in 2011 would be \$600,878 for Mr. Stine, \$225,329 for Mr. Lyda, \$236,588 for Mr. Drew and Ms. Perkinson, and \$155,649 for Mr. Atkinson. The value of stock awards is the grant date fair value of awards computed in accordance with FASB ASC Topic 718. The grant date fair value for grants with performance conditions includes the estimated probable outcome of the performance condition. Further information regarding stock awards can be found in Note 8, Stock Compensation Plan, to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. During 2011, the stock awards granted did not vest and will only vest in future years based on the achievement of cash flow targets, milestone performance objectives tied to development activities, and to continued employment with the Company.
- Non-Equity incentive plan compensation for the Chief Executive Officer and other named executive officers consists of annual incentive plan payments earned in the applicable fiscal year. As described in the Compensation Discussion and Analysis under Annual Performance-Based Incentive Bonuses on page 16 above, in 2011 and 2010 one-half of the above amounts were paid in the form of stock grants in lieu of cash. In 2009 the entire above amount was paid in the form of stock grants.
- The change in pension value is based upon the same assumptions and measurements that are used for the audited financial statements for the current year. See Note 13, Retirement Plan, to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There are no above-market or preferential earnings related to the Company's nonqualified deferred compensation plan.



5. Except with respect to Mr. Stine for whom All Other Compensation also includes \$10,000 for life insurance premiums, each of the named executive officers received the amounts reflected in the table for 2011 in the form of a Company-provided vehicle and related maintenance.

#### Grants of Plan-Based Awards in Fiscal Year 2011

The following table provides information about awards granted to the named executive officers in the fiscal year ended December 31, 2011 pursuant to our 2004 Stock Incentive Program.

Name	Year	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards (#)	Estimated Future Payouts Under Equity Incentive (2)			Grant Date Fair Value of Stock Grants at Target Achievement (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)		Threshold (#)	Target (#)	Maximum (#)	
Robert A. Stine:										
Performance grants, cash flow objective	2011	5/10/11					5,515	11,029	16,544	400,573
Annual incentive plan- cash portion		12/13/11	100,000	200,000	30,000					
Annual incentive plan-stock portion (1)		12/13/11				10,101				250,000
Annual incentive restricted stock grant (1)		12/13/11				1,919				47,500
Allen E. Lyda:										
Performance grants, cash flow objective	2011	5/10/11					2,068	4,136	6,204	150,220
Annual incentive plan		12/13/11	34,375	68,750	103,125					
Annual incentive plan-stock portion (1)		12/13/11				3,977				9,8438
Annual incentive restricted stock grant (1)		12/13/11				756				18,704
Joe Drew:										
Performance grants, cash flow objective	2011	5/10/11					2,172	4,343	6,515	157,738
Annual incentive plan		12/13/11	30,938	61,875	92,812					
Annual incentive plan-stock portion (1)		12/13/11				3,591				88,864
Annual incentive restricted stock grant (1)		12/13/11				682				16,884
Kathleen Perkinson:										
Performance grants, cash flow objective	2011	5/10/11					2,172	4,343	6,515	157,738
Annual incentive plan		12/13/11	30,938	61,875	92,812					
Annual incentive plan-stock portion (1)		12/13/11				3,139				77,705
Annual incentive restricted stock grant (1)		12/13/11				597				14,764
Dennis J. Atkinson:										
Performance grants, cash flow objective	2011	5/10/11					1,429	2,857	4,286	103,766
Annual incentive plan		12/13/11	23,125	46,250	69,375					
Annual incentive plan-stock portion (1)		12/13/11				2,697				66,739
Annual incentive restricted stock grant (1)		12/13/11				512				12,680

- The annual incentive award is based on the achievement of both quantitative and qualitative annual business objectives. The objectives vary based on the named executive officer's responsibilities. For 2011, based upon the percentage of achievement shown in the Annual Performance-Based Incentive Bonuses section of Compensation Discussion and Analysis, Mr. Stine earned an incentive of \$500,000, Mr. Lyda \$196,876, Mr. Drew \$177,728, Ms. Perkinson \$155,410, and Mr. Atkinson \$133,478. The above incentive awards for 2011 were paid out in one-half restricted stock that vests in three annual installments beginning March 2012 and ending March 2014 and one-half in cash. The restricted stock grants awarded in lieu of cash payments earned in 2011 under the annual incentive plan equaled 10,101 shares for Mr. Stine; 3,977 shares for Mr. Lyda; 3,591 shares for Mr. Drew; 3,139 shares for Ms. Perkinson, and 2,697 shares for Mr. Atkinson. The number of shares issued in respect of the stock-based portion of the annual installment bonus is 1.19 times greater in value than what would have been paid were the stock-based portion of the bonus paid in cash. For additional detail see the Annual Performance-Based Incentive Bonuses section of Compensation Discussion and Analysis beginning on page 16.
- The equity incentive award program provides performance unit grants, which vest upon achievement of a cash flow objective over a three-year time frame. The objective is based upon meeting targeted cash from operations less cash used in investments within the Company's five-year business plan. The three-year objective for these potential stock awards is cash usage of \$40 million. For additional detail see the Equity Compensation section of Compensation Discussion and Analysis beginning on page 21.



**Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table provides information on the current holdings of stock options, restricted stock, and performance unit awards of the named executive officers. This table includes unexercised option awards, unvested stock grants, and performance share grants with performance conditions that have not yet been satisfied. Each equity grant is shown separately for each named executive officer who had outstanding equity as of December 31, 2011. The market value of the stock awards is based on the closing market price of Tejon stock as of December 31, 2011, which was \$24.48 per share. The market value as of December 31, 2011 shown below assumes satisfaction of performance objectives at the target level of achievement.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
<b>Robert A. Stine:</b>								
Restricted stock grants					6,316	154,616		
Annual Stock Incentive Award (1)							21,781	533,199
Performance Units (2)							38,332	938,367
Milestone Performance Units (3)							249,000	6,095,520
<b>Totals Robert A. Stine</b>					<b>6,316</b>	<b>154,616</b>	<b>309,113</b>	<b>7,567,086</b>
<b>Allen E. Lyda:</b>								
Stock Option Award	25,000		\$ 27.66	12/03/12				
Restricted stock grants					1,722	42,155		
Annual Stock Incentive Award (1)							7,937	194,298
Performance Units (2)							12,822	313,883
Milestone Performance Units (3)							89,000	2,178,720
<b>Totals Allen E. Lyda</b>	<b>25,000</b>				<b>1,722</b>	<b>42,155</b>	<b>109,759</b>	<b>2,686,901</b>
<b>Joe Drew:</b>								
Stock Option Award	12,000		\$ 27.66	12/03/12				
Annual Stock Incentive Award (1)							7,049	172,560
Performance Units (2)							13,029	318,950
Milestone Performance Units (3)							86,000	2,105,280
<b>Totals Joe Drew</b>	<b>12,000</b>						<b>106,078</b>	<b>2,596,790</b>
<b>Kathleen Perkinson:</b>								
Annual Stock Incentive Award (1)							6,609	161,788
Performance Units (2)							13,029	318,950
Milestone Performance Units (3)							70,000	1,713,600
<b>Totals Kathleen Perkinson</b>							<b>89,638</b>	<b>2,194,338</b>
<b>Dennis J. Atkinson:</b>								
Stock Option Award	14,500		27.66	12/3/2012				
Annual Stock Incentive Award (1)							5,212	127,500
Performance Units (2)							6,997	171,287
Milestone Performance Units (3)							51,000	1,248,480
<b>Totals Dennis J. Atkinson</b>	<b>14,500</b>						<b>63,209</b>	<b>1,547,267</b>

1. During 2011, 2010 and 2009, the Company issued stock in lieu of cash for all or a portion of the annual incentive bonus. The shares issued to date vest each year through 2014. Please see discussion in the Compensation Discussion and Analysis beginning on page 16 under Annual Performance-Based Incentive Bonuses.

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2. Performance units consist of shares that may vest during March 2012, 2013, and 2014 based upon achievement of a rolling three-year cash flow objective that is included within our five-year business plan. The shares shown are based upon reaching target levels of performance. Included in this number are the following shares that vested in March 2012 due to the achievement of the specified cash flow objective over the 2009-2011 period: Mr. Stine 16,451 shares; Mr. Lyda 5,234 shares; Mr. Drew 5,234 shares; Ms. Perkinson 5,234 shares; and Mr. Atkinson 2,495 shares. For additional detail see the Equity Compensation section of Compensation Discussion and Analysis beginning on page 21.
3. Milestone performance units consist of shares that may vest upon achievement of specific milestone objectives related to our residential development and conservation efforts. For additional detail see the Equity Compensation section of Compensation Discussion and Analysis beginning on page 21.

**Option Exercises and Stock Vested in Fiscal Year 2011**

The following table provides information, for the named executive officers, on the value realized and the number of shares acquired upon the vesting of stock awards and the value realized each before payment of any applicable withholding tax and broker commissions.

Name	Exercise (#)	on Exercise (\$)	Vesting (#)	on Vesting (\$)
<b>Robert A. Stine:</b>				
Stock Options	140,000	1,060,026		
Restricted Stock Grants			6,316	165,290
Annual Incentive Grants			6,838	205,482
Performance Grants (1)			5,994	214,885
<b>Total Robert A. Stine</b>	<b>140,000</b>	<b>1,060,026</b>	<b>19,148</b>	<b>585,657</b>
<b>Allen E. Lyda:</b>				
Stock Options	18,000	181,785		
Restricted Stock Grants			1,722	45,065
Annual Incentive Grants			2,253	67,703
Milestone Performance Grants (1)			1,907	68,366
<b>Total Allen E. Lyda</b>	<b>18,000</b>	<b>181,785</b>	<b>5,882</b>	<b>181,134</b>
<b>Joe Drew:</b>				
Annual Incentive Grants			1,892	56,885
Milestone Performance Grants (1)			1,907	68,366
<b>Total Joe Drew</b>			<b>3,799</b>	<b>125,251</b>
<b>Kathleen Perkinson:</b>				
Annual Incentive Grants			2,017	60,611
<b>Total Kathleen Perkinson</b>			<b>2,017</b>	<b>60,611</b>
<b>Dennis J. Atkinson:</b>				
Stock Options	12,575	139,001		
Restricted Stock Grants				
Annual Incentive Grants			1,312	39,426
Performance Grants (1)			909	32,588
<b>Total Dennis J. Atkinson</b>	<b>12,575</b>	<b>139,001</b>	<b>2,221</b>	<b>72,014</b>

- The performance grants that vested during 2011 were originally granted in 2008 as a part of the annual rolling three-year performance grant that is tied to the achievement of specified cash management objectives. For additional detail see the Equity Compensation section of Compensation Discussion and Analysis beginning on page 21.

**Pension Benefits in Fiscal Year 2011**

The Company's pension plan is a tax-qualified retirement program that covers eligible employees of the Company. Effective January 31, 2007, the pension plan was frozen so that anyone who is hired on or after February 1, 2007, is not allowed to enter the plan. An employee is eligible for normal retirement benefits on the first day of the month coinciding with or next following the employee's social security retirement date. The amount of annual benefit, payable monthly, is based upon an employee's average monthly compensation which is based upon the employee's highest five consecutive calendar years of compensation out of the employee's final ten years of compensation. The amount of the annual benefit payable monthly shall be: 1.45% of the average monthly compensation offset by .65% of the final average compensation not in excess of one-twelfth of





covered compensation multiplied by total years of service (up to a maximum of 25 years); or the sum of the accrued benefit as of December 31, 1988 and the benefit as calculated above with total years of service reduced by the years of service prior to January 1, 1989.

The named executive officers' annual earnings taken into account under this formula include base salary and any annual cash or stock incentive payments, if any, but may not exceed an IRS-prescribed limit applicable to tax qualified plans (\$250,000 for 2011).

Pension benefits fully vest after the completion of five years of service. Prior to that time the benefit is not vested.

The supplemental executive retirement plan, or SERP, was established for the named executive officers to replace any pension benefit the named executive officers might lose due to the IRS-prescribed limit applicable to tax-qualified plans. The SERP benefit is calculated based on the same formula as the defined benefit plan.

Name	Plan Name	Number of Years Credited Service (#)	(1) Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Robert A. Stine	Defined Benefit Plan	16	568,787	
	Supplemental Executive Retirement Plan (2)	30	3,836,341	
Allen E. Lyda	Defined Benefit Plan	22	404,139	
	Supplemental Executive Retirement Plan	22	332,217	
Joe Drew	Defined Benefit Plan	11	399,189	
	Supplemental Executive Retirement Plan	11	124,606	
Dennis Atkinson	Defined Benefit Plan	36	765,127	
	Supplemental Executive Retirement Plan			
Kathleen Perkinson (3)	None			

1. The present value of the accumulated benefit is based upon the same assumptions and measurements that are used in the preparation of the audited financial statements for the current year. See Note 13, Retirement Plans, to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for the valuation method and these assumptions.
2. Mr. Stine receives 1.85 years of service for every year of service within the SERP. This was provided for in Mr. Stine's employment contract so that he could receive a full pension benefit at retirement in consideration of his age when joining the Company. This is a benefit provided to Mr. Stine and is not available to the other named executive officers. The increase in benefit related to the additional years of service in the SERP plan is approximately \$1.5 million.
3. Ms. Perkinson joined the Company after the defined benefit plan had been amended to allow no new participants.

**Fiscal Year 2011 Nonqualified Deferred Compensation Table**

The nonqualified deferred compensation plan allows the deferral of salary, bonuses and vested restricted stock or performance units and there are no limits on the extent of deferral permitted. The plan is available for the named executive officers and directors of the Company. Each of the named executive officers with deferred compensation have elected to defer payment until termination of employment at which time payment will be made in a lump sum in accordance with Internal Revenue Code Section 409A. Withdrawals are provided for in the plan for unforeseeable emergencies such as financial hardship from illness or accident, loss of property due to casualty, or other similar extraordinary circumstance arising as a result of events beyond control of the employee, each as determined by the Company. A distribution based on an unforeseeable emergency is made only with the consent of the Company.

The decision by each named executive officer to defer future compensation and the distribution date of any deferral is determined at the end of each fiscal year for awards that may be received in the coming new year. The Company does not contribute to the nonqualified deferred compensation plan for the benefit of any named executive officer or director. Earnings from any cash contributed or stock that is converted to cash by a named executive officer or director are based upon the market return of the investment in which such officer or director directed his or her contribution. All holdings in the nonqualified deferred compensation plan are in the form of Company stock. No shares have been converted to cash within the plan.

Name (1)	Executive Contributions in Last FY (\$)	Aggregate Earnings (loss) in Last FY (\$)	Aggregate Balance at Last FYE (\$)
Robert A. Stine		(38,642)	308,130
Allen E. Lyda		(31,298)	249,574
Joe Drew		(31,298)	249,574
Dennis Atkinson		(9,050)	72,167
Kathleen Perkinson			

1. All amounts reported in the aggregate balance at last fiscal year end previously were reported as compensation to the named executive officer in the Summary Compensation Table for previous years.
2. Aggregate earnings in the last fiscal year are based on the change in price of the Company's stock from the prior year-end to December 31, 2011. This factor is used because all investments within the nonqualified deferred compensation plan are held in Company stock.

#### **Fiscal Year 2011 Potential Payments Upon Termination or Change in Control**

The Company has entered into a severance agreement with each of the named executive officers that provides for specified benefits upon a change of control. A change in control is deemed to have occurred if (i) there is an acquisition by any person or group (excluding current ownership) of 20% or more of the outstanding shares of the Company; (ii) the Company sells all or substantially all of its assets; or (iii) the Company merges or consolidates with another entity.

Benefits are payable to a named executive officer as a result of termination of employment in connection with a change in control if the named executive officer is terminated without cause during the two years after the occurrence of a change in control or the named executive officer is terminated prior to a change in control at the request of a third party who has taken steps to effect a change in control. The named executive officer will also receive benefits if he or she voluntarily terminate employment after a change in control if the named executive officer has been assigned substantial reductions in duties and responsibilities, received a reduction in base salary, or had an annual bonus opportunity eliminated or significantly reduced (i.e. a resignation for good reason). A named executive officer's employment shall be deemed to have been terminated for cause if employment is terminated as a result of failure to perform his or her duties, willful misconduct or breach of fiduciary duty, fraud, and wrongful disclosure of confidential information.

Change in control benefits include a continuation of base salary for a period of 36 months for the Chief Executive Officer and 30 months for the other named executive officers, and a lump sum payment of two and one half times the named executive officer's average bonus for the previous three years. The named executive officers are also entitled to receive a continuation of health and other insurance benefits over the salary continuation period. Each named executive officer also has the right for a three-month period to continue use of any perquisites he or she may have had prior to the change in control. Generally, all unvested performance unit awards will vest at target achievement levels upon a change in control whether or not the named executive officer is terminated. During the period of time described above during which benefits are to be received in connection with a change in control, the named executive officer must agree not to solicit any employees of the Company or disclose any confidential information related to the Company.

Name	Benefit	After Change in Control (1)(2) Termination w/o Cause or for Good Reason (\$)	Change in Control No Termination (\$)
Robert A. Stine	Salary Continuation	1,500,000	
	Bonus	1,000,000	
	Health Insurance	32,544	
	Other Compensation (3)	43,865	
	Equity Compensation	7,587,454	7,587,454
	Total Value	10,163,863	7,587,454
Allen E. Lyda	Salary Continuation	625,000	
	Bonus	343,750	
	Health Insurance	27,120	
	Other Compensation (3)	24,687	
	Equity Compensation	2,686,337	2,686,337
	Total Value	3,706,894	2,686,337
Joe Drew	Salary Continuation	562,500	
	Bonus	309,375	
	Health Insurance	27,120	
	Other Compensation (3)	22,479	
	Equity Compensation	2,554,072	2,554,072
	Total Value	3,475,546	2,554,072
Kathleen Perkinson	Salary Continuation	562,500	
	Bonus	309,375	
	Health Insurance	27,120	
	Other Compensation (3)	18,267	
	Equity Compensation	2,151,621	2,151,621
	Total Value	3,068,883	2,151,621
Dennis Atkinson	Salary Continuation	462,500	
	Bonus	231,250	
	Health Insurance	27,120	
	Other Compensation (3)	24,046	
	Equity Compensation	1,547,356	1,547,356
	Total Value	2,292,272	1,547,356

- For the above calculations, it is assumed that the triggering event took place on the last business day of 2011, and the stock price used in the above calculation was the per share price on that day (\$24.48).
- Restricted stock and performance units vest upon a change in control. For purposes of this table, it is assumed all non-vested performance units and milestone units vest immediately at the target level. The value for vesting of performance unit awards and milestone performance awards is the closing market price on the last business day of 2011 (\$24.48). Only stock options in the money were considered because it is assumed that options out of the money will not be exercised. Please see the Outstanding Equity Awards at 2011 Fiscal Year-End table on page 28 for option exercise prices.
- Other Compensation consists of accrued and unused vacation at the time of termination and if the named executive officer has the right to use a Company vehicle prior to termination, the continuation of that benefit for a three-month period of time.

#### Director Compensation in Fiscal Year 2011

In 2011, non-employee directors received an annual retainer of \$45,000 payable in common stock in arrears, quarterly, based on the closing price of the Company's common shares at each quarter end. In addition, the



Chairman of the Board received an annual retainer of \$25,000 payable in common stock and the Chairman of each of the Audit, Compensation and Real Estate Committees received an annual retainer of \$10,000 payable in common stock. Directors affiliated with a person or entity owning 15% or more of the Company's total shares outstanding could elect to receive his or her entire annual retainer in cash. Directors are not paid any fees for board or committee meeting attendance.

Name	Fees Earned or Paid in Cash (\$)	(1) Stock Awards (\$)
John Goolsby (2)		45,000
Barbara Grimm-Marshall (2)		45,000
Norman Metcalfe (2)		55,000
George G. C. Parker (2)		55,000
Kent G. Snyder (2)		70,000
Geoffrey L. Stack (2)		55,000
Michael H. Winer (2)	45,000	

- The amounts reported reflect the grant date fair value of stock awards granted in 2011 to each director. Please see Note 8, Stock Compensation Plan, to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for additional information regarding the valuation of stock awards. The number of stock awards granted each year is determined on a quarterly basis by dividing one fourth of the annual retainer by the closing stock price at the end of each quarter. During 2011, the directors received the following number of stock awards: Mr. Goolsby 1,567 shares; Ms. Grimm-Marshall 1,567 shares; Mr. Metcalfe 1,915 shares; Mr. Parker 1,915 shares; Mr. Snyder 2,438 shares; Mr. Stack 1,915 shares; and Mr. Winer 0 shares.
- The directors had the following vested but unexercised stock options at December 31, 2011; Mr. Goolsby 2,532 shares; Ms. Grimm-Marshall 0 shares; Mr. Metcalfe 2,532 shares; Mr. Parker 2,532 shares; Mr. Snyder 5,065 shares; Mr. Stack 2,532 shares; and Mr. Winer 0 shares. None of the directors have unvested stock or option grants.

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**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table lists the stock ownership of stockholders known to the Company to be the beneficial owners of more than 5% of the shares of the Company's Common Stock outstanding as of March 13, 2012. The table also provides the stock ownership as of the same date of all directors, each executive officer named in the above Summary Compensation Table (the named executive officers), and all directors and executive officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
Third Avenue Management LLC 622 Third Avenue  New York, NY 10017	3,178,314(3)	15.82%
TowerView LLC 500 Park Avenue  New York, NY 10022	2,600,000(4)	12.94%
The London Company 1801 Bayberry Court, Suite 301  Richmond, Virginia 23226	1,592,307(5)	7.93%
<b>Directors</b>		
John L. Goolsby	15,364(6)	below 1%
Norman Metcalfe	22,298(7)	below 1%
George G.C. Parker	17,252(6)	below 1%
Kent G. Snyder	17,805(7)	below 1%
Geoffrey L. Stack	24,176(8)	below 1%
Robert A. Stine	81,840(9)	below 1%
Daniel Tisch	3,310,000(4)	16.48%
Michael H. Winer	3,178,314(3)	15.82%
<b>Executive Officers</b>		
Dennis J. Atkinson	31,564(8)	below 1%
Joseph E. Drew	43,647(7)	below 1%
Allen E. Lyda	68,694(8)	below 1%
Kathleen J. Perkinson	6,061(7)	below 1%
All executive officers and directors as a group (12 persons)	6,817,015	33.94%

- (1) In each case, the named stockholder in the above table has the sole voting and investment power as to the indicated shares, except as set forth in the footnotes below, and except that all options, restricted stock and restricted stock units are held by directors and officers individually. For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of any shares that such person owns or has the right to acquire within 60 days. As a result, we have included in the Amount and Nature of Beneficial Ownership column, shares of vested and unvested restricted stock granted to a beneficial owner. Such restricted stock has voting rights, irrespective of vesting. In addition, we have included restricted stock units that could possibly vest within 60 days of March 13, 2012, even though for any such restricted stock units shown to vest within that period, the beneficial owner would have to terminate his relationship with the Company.
- (2) For purposes of computing the Percent of Class column, any shares which such person does not currently own but has the right to acquire within 60 days of March 13, 2012 are deemed to be outstanding for the purpose of computing the percentage ownership of that person. Restricted stock is deemed outstanding, irrespective of vesting. Also included are restricted stock units that could possibly vest within 60 days of

March 13, 2012, even though for any such restricted stock units shown to vest within that period, the beneficial owner would have to terminate his relationship with the Company.

- (3) Based on information included in a Schedule 13G dated February 10, 2012 filed by Third Avenue Management LLC. Transamerica Third Avenue Value VP, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 68,444 of the shares reported by Third Avenue Management, or TAM; AIC Corporate Fund Inc., a mutual fund corporation formed by Articles of Incorporation under the laws of Ontario, has the right to receive dividends from, and the proceeds from the sale of, 18,482 of the shares reported by TAM; Transamerica Third Avenue Value, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 86,299 of the shares reported by TAM; Third Avenue Real Estate Value Fund, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 941,627 of the shares reported by TAM; Third Avenue Real Estate Value Fund UCITS, a series of Third Avenue Capital p.l.c., an umbrella open-ended investment company authorized by the Irish Financial Services Regulatory Authority under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, has the right to receive dividends from, and the proceeds from the sale of, 7,190 of the shares reported by TAM; Third Avenue Value Fund, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 1,875,106 of the shares reported by TAM; Third Avenue Value Fund UCITS, an umbrella open-ended investment company authorized by the Irish Financial Services Regulatory Authority under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, has the right to receive dividends from, and the proceeds from the sale of, 51,578 of the shares reported by TAM; Third Avenue Value Portfolio of the Third Avenue Variable Series Trust, an investment company registered under the Investment Company Act of 1940, has the right to receive dividends from, and the proceeds from the sale of, 112,008 of the shares reported by TAM; and various separately managed accounts for whom TAM acts as investment advisor have the right to receive dividends from, and the proceeds of the sale of, 17,580 of the shares reported by TAM. Mr. Winer is a portfolio Manager of Third Avenue Management LLC and has dispositional authority and voting authority over 3,178,314 shares. Mr. Winer disclaims beneficial ownership of the shares owned by said entities for all other purposes.
- (4) Based on information included in a Schedule 13G/A dated January 6, 2012 filed by TowerView LLC with the SEC pursuant to the Exchange Act. TowerView LLC has sole voting power and investment power over the 2,600,000 shares of common stock shown. Mr. Tisch has dispositional and voting authority over all shares owned by TowerView LLC. Mr. Tisch also has dispositional and voting authority over 710,000 shares owned by DT Four Partners.
- (5) Based on information included in a Schedule 13G/A dated February 9, 2012 filed by The London Company with the SEC pursuant to the Exchange Act.
- (6) The shares owned by Mr. Goolsby include 14,103 shares in his personal investment accounts and 1,261 shares underlying stock options that are currently exercisable. The shares owned by Mr. Parker include 14,328 shares in his personal investment accounts, 1,663 restricted stock units that could possibly vest within 60 days, and 1,261 shares underlying stock options that are currently exercisable. The shares owned by each of Mr. Goolsby and Mr. Parker in their personal investment accounts are held by a family trust, respectively, concerning which each director and his respective spouse share voting and investment power.
- (7) The shares owned by Mr. Metcalfe include 11,256 shares in his personal investment accounts, 9,781 restricted stock units that could possibly vest within 60 days of March 13, 2012, and 1,261 shares underlying stock options that are currently exercisable. The shares owned by Mr. Snyder include 7,405 shares in his personal investment accounts, 7,877 restricted stock units that could possibly vest within 60 days of March 13, 2012, and 2,523 shares underlying stock options that are currently exercisable. The shares owned by Mr. Drew include 18,099 in his personal investment accounts, 13,548 restricted stock units that could possibly vest within 60 days of March 13, 2012, and 12,000 shares underlying stock options that are currently exercisable. The shares owned by Ms. Perkinson include 2,798 in her personal investment accounts and 3,263 restricted stock units that could possibly vest within 60 days of March 13, 2012.

- (8) The shares owned by Mr. Stack include 13,522 shares in his personal investment accounts, 9,393 restricted stock units that could possibly vest within 60 days of March 13, 2012, and 1,261 shares underlying stock options that are currently exercisable. The shares owned by Mr. Atkinson include 11,707 shares in his personal investment accounts, 5,357 shares of restricted stock, that could possibly vest within 60 days of March 13, 2012 and 14,500 shares underlying stock options that are currently exercisable. The shares owned by Mr. Lyda, the Principal Financial Officer of the Company, include 29,627 shares in his personal investment accounts, 14,067 restricted stock units that could possibly vest within 60 days of March 12, 2012, and 25,000 shares underlying stock options that are currently exercisable. The shares owned by each of Messrs. Stack, Lyda and Atkinson in their accounts are held as community property concerning which the named person and his spouse share voting and investment power.
- (9) Mr. Stine, as the President and Chief Executive Officer of the Company, is an executive officer as well as a director. The shares owned by Mr. Stine include 58,285 shares in his personal investment accounts and, 23,555 shares of restricted stock units that could possibly vest within 60 days of March 13, 2012. Of the shares in Mr. Stine's accounts, some of the shares are held by a family trust and some are held as community property. In each case he and his spouse share voting and investment power.



**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Audit Committee of the Board has furnished the following report:

The Audit Committee reviewed Tejon Ranch Co. s (the Company s ) financial reporting process on behalf of the Board of Directors (the Board ). Management has the primary responsibility for the financial statements and the reporting process. The Company s independent auditors are responsible for expressing an opinion on the conformity of the Company s audited financial statements to generally accepted accounting principles.

In this context, the Audit Committee has reviewed and discussed with management and Ernst & Young LLP, the Company s independent registered public accounting firm, the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011. The Audit Committee has also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. In addition, the Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding Ernst & Young LLP s communications with the Audit Committee concerning independence, and has discussed with the independent auditors their independence from the Company and its management. The Audit Committee has also considered whether Ernst & Young LLP s provision of non-audit services to the Company is compatible with their independence.

Based on the reviews and discussions referred to in the preceding paragraphs, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission.

George G.C. Parker (Chairman), John Goolsby, Barbara Grimm-Marshall,

Geoffrey L. Stack

Members of the Audit Committee

## OTHER MATTERS

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, officers and persons who beneficially own more than 10% of the Company's outstanding Common Stock, to file reports of ownership and changes in beneficial ownership of the Company's Common Stock on Form 3, Form 4, and Form 5, as appropriate, with the SEC and to furnish the Company with copies of all such Section 16(a) reports that they file. Based solely on the review of copies of such reports and amendments thereto and other information furnished to the Company, the Company believes that, during 2011, all officers, directors and persons who beneficially own more than 10% of the Company's Common Stock complied in a timely manner with all filing requirements.

### Related Person Transactions

The Board follows certain policies and procedures developed for the review and approval of all transactions with related persons, pursuant to which the Board reviews the material facts of, and either approves or disapproves of, the Company's entry into any transaction, arrangement or relationship or any series thereof in which (i) the aggregate amount involved will or may be expected to exceed \$120,000 in any calendar year, (ii) the Company is a participant, and (iii) any related person has or will have a direct or indirect material interest (other than solely as a result of being a director or less than ten percent beneficial owner of another entity).

The Board reviews all relationships and transactions in which both the Company and any related person are participants to determine whether such related persons have a direct or indirect material interest in such transaction. A related person is any executive officer, director or director nominee of the Company, or any beneficial owner of more than five percent of the Company's Common Stock, or any immediate family member of any of the foregoing. The Company discloses transactions in its proxy statements with related persons in accordance with Item 404 of Regulation S-K.

In the course of the Board's review and approval or ratification of a related party transaction, the Board considers:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to the Company;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and

any other matters the Board deems appropriate.

Any member of the Board who is a related person with respect to a transaction under review may not participate in the deliberation or vote respecting approval or ratification of the transaction, provided that such director may be counted in determining the presence of a quorum at a meeting that considers the transactions. During 2011, there were no related party transactions.

### Financial Information

Both the Company's Annual Report to Stockholders and the Company's Annual Report on Form 10-K (including the financial statements and financial statement schedules but without exhibits) as filed with the SEC accompany this Proxy Statement. Both reports may be obtained without charge by calling (661) 248-3000, or by written request to the Corporate Secretary, Tejon Ranch Co., P.O. Box 1000, Lebec, California 93243.



### **Notice of Internet Availability**

You can now access the 2011 Annual Report and the 2012 Proxy Statement for the 2012 Annual Meeting via the Internet at the following address: <http://materials.proxyvote.com/879080>.

The enclosed information has been provided to you to enable you to cast your vote in one of three convenient ways: (1) via the Internet, (2) by telephone, or (3) by returning it in the enclosed postage-paid envelope. Whichever method you choose, you are encouraged to vote.

You can also eliminate the mailing of this information in the future by electing to receive it through the Internet and by an email directing you to vote electronically. This election can be made as you vote your proxy via the Internet by providing your email address when prompted.

### **Communications with Directors**

Any stockholder or other party interested in communicating with members of the Board, any of its committees, the independent directors as a group, or any of the independent directors may send written communications to Tejon Ranch Co., P.O. Box 1000, Lebec, California 93243, Attention: Corporate Secretary, or via the Contact Us link on the Company's website, [www.tejonranch.com](http://www.tejonranch.com). Communications received in writing are forwarded to the Board, committee, or the individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to the Company or its business, or is similarly inappropriate. The Corporate Secretary has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

### **Stockholder Proposals for 2013 Annual Meeting**

Stockholder proposals to be presented at the 2013 Annual Meeting, pursuant to Rule 14a-8 under the Exchange Act, must be received by the Company no later than December 1, 2012 in order to be considered for inclusion in the Company's proxy materials for that meeting. Such proposals must be submitted in writing to the principal executive offices of the Company at the address set forth on the first page of this Proxy Statement.

In addition, the Company's Certificate of Incorporation requires that the Company be given advance written notice of stockholder nominations for election to the Company's Board and of other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company's proxy materials in accordance with Rule 14a-8 under the Exchange Act, as discussed above). Such nomination or other proposal will be considered at the 2013 Annual Meeting only if it is delivered to or mailed and received at the principal executive offices of the Company at the address set forth on the first page of this Proxy Statement not less than 30 days nor more than 60 days prior to the meeting as originally scheduled, but if less than 40 days' notice or prior public disclosure of the date of the meeting is given or made to the stockholders, then the notice must be received not later than the close of business on the tenth (10th) day following the day on which the notice of such annual meeting was mailed or the public disclosure was made. A stockholder's notice to the Secretary regarding a nomination for election to the Company's Board must set forth: (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required pursuant to the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving notice, (A) the stockholder's name and address, as they appear on the Company's books, and (B) the class and number of shares of the Company which are beneficially owned by the stockholder. A stockholder's notice to the Secretary regarding other matters must set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Company which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

**Stockholders Sharing the Same Last Name and Address**

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding the Company's Common Stock but who share the same address, we have adopted a procedure approved by the SEC called "householding." Under this procedure, certain stockholders of record who have the same address and last name will receive only one copy of our proxy materials that are delivered until such time as one or more of these stockholders notifies us that they want to receive separate copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you receive a single set of proxy materials as a result of householding, and you would like to have separate copies of our annual report or proxy statement mailed to you, please submit a request to our Corporate Secretary at Tejon Ranch Co., P.O. Box 1000, Lebec, California 93243; telephone 661-248-3000, and we will promptly send you what you have requested. You can also contact our Corporate Secretary if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

**Other Business**

Management does not know of any matter to be acted upon at the 2012 Annual Meeting other than those described above, but if any other matter properly comes before the meeting, the persons named on the enclosed proxy will vote thereon in accordance with their best judgment.

Stockholders are urged to sign and return their proxies without delay.

For the Board of Directors,

KENT G. SNYDER, Chairman of the Board

ALLEN E. LYDA, Chief Financial Officer, Assistant Secretary

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**APPENDIX A**

**ATTACHMENT A TO CORPORATE GOVERNANCE GUIDELINES**

The Nominating and Corporate Governance Committee annually reviews the independence of all directors, and reports its findings to the Board of Directors. Based upon the report and the directors' consideration, the Board of Directors determines which directors shall be deemed independent.

A director will be deemed independent if it is determined that he or she has no material relationship with the corporation, either directly or through an organization that has a material relationship with the corporation. A relationship is material if, in the judgment of the Board of Directors, it might reasonably be considered to interfere with the exercise of independent judgment. Ownership of stock of the corporation is not, in itself, inconsistent with a finding of independence. In addition, an Audit Committee member must also be independent within the meaning of the New York Stock Exchange's listing requirements for audit committees, and the requirements set forth in Rule 10A-3 of the Securities Exchange Act of 1934, as amended. The following specific standards are utilized in determining whether a director shall be deemed independent:

- >> the director is not, and in the past three years has not been, an employee of Tejon Ranch Co. or any of its subsidiaries (collectively, Tejon );
- >> an immediate family member of the director is not, and in the past three years has not been, employed as an executive officer of Tejon;
- >> neither the director nor a member of the director's immediate family is, or in the past three years has been, affiliated with or employed by Tejon's present or former (within three years) internal or external auditor;
- >> neither the director nor a member of the director's immediate family is, or in the past three years has been, employed as an executive officer of another company where any of Tejon's present executives serve on that company's compensation committee;
- >> neither the director nor a member of the director's immediate family receives or has received more than \$120,000 per year in direct compensation from Tejon in the past three years, other than director and committee fees and pensions or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);
- >> (A) the director is not a current partner or employee of a firm that is Tejon's internal or external auditor; (B) the director does not have an immediate family member who is a current partner of such a firm; (C) the director does not have an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was not within the last three years a partner or employee of such a firm and personally worked on Tejon's audit within that time;
- >> the director is not, nor are any of the director's immediate family members, currently an executive officer of a company that makes payments to, or receives payments from, Tejon for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

For purposes of this Attachment A, an immediate family member means a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than an employee) who shares such person's home.







